



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6: PUBLIC FINANCIAL MANAGEMENT
DATE: WEDNESDAY 28, MAY 2025**

INSTRUCTIONS:

1. Time allowed: **3 hours.**
2. This examination has **three** sections: **A, B, and C.**
3. Section A has **10** multiple choice questions equal to **2** marks each.
4. Section B has **2** questions equal to **10** marks each.
5. Section C has **3** questions equal to **20** marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

The following are areas of public expenditure as specified in the budget by classification of the functions of government (COFOG) for the Government of Rwanda for 2018/2019 (MINECOFIN, 2019b).

- i) Defense – Police service, prison
- ii) Public order and safety – Law courts, research and development in public order and safety
- iii) Social protection – Unemployment, sickness and disability, survivors
- iv) Recreation, culture, and religion – Sporting services, development in culture and religion
- v) Education – Public health services, recreational sporting services

Which one among the above areas of public expenditure does not match its classification by function?

- A (i) only
- B (ii), (iii) & (iv)
- C (i)&(v)
- D (v) only

(2marks)

QUESTION TWO

There are circumstances when governments may choose to intervene in their countries' economy.

Which among the following arguments justifies government intervention in economies?

- A Strong local currency against the dollar
- B Market efficiency
- C Market failure
- D None of the above

(2 marks)

QUESTION THREE

Taxation is arguably the main source of government revenue. The government uses various criteria to achieve its taxation objectives.

Which among the following is the criteria that the government uses to determine the suitability of taxes?

- A Favoritism, punishment, social objectives
- B Predictability, administration, efficiency
- C Equity, discrimination, complexity
- D Short-Term gains, revenue adequacy, inflexibility

(2 marks)

QUESTION FOUR

There are various taxes levied by the government for various economic purposes. Progressive tax and proportionate tax are different types of taxation system used by the government for tax burden distribution.

Which of the below statements is not true about progressive taxes and proportionate taxes?

- A Both are considered a way to achieve a more equitable distribution of the tax burden.
- B Both taxes are classified on the basis of tax structure.
- C Progressive tax involves a degree of income distribution as rate of taxation vary per head.
- D Proportionate tax treats all individuals equally by applying the same tax rate to everyone irrespective of income earned.

(2 marks)

QUESTION FIVE

Market failures occur when allocation of goods and services in a free market is not efficient. Several arguments are associated with market failures and the measures the governments put in place to correct the situation.

Which one of the following arguments explains monopoly power?

- A In some transactions, one party may have more information than the other leading to unequal bargaining power.
- B The activities produce costs and benefits that are not directly priced to the market leading to price mechanisms not to function efficiently.
- C Market may not ensure equitable distribution of resources, leading to income and wealth inequality.
- D Market power can lead to higher prices, reduced output, and a lack of competition, resulting in inefficient outcomes.

(2 marks)

QUESTION SIX

Governments will ensure that their economies is stabilized and will put measures in place to control anomalies associated with market failure in the economy.

Which of the following anomalies correctly matches with an economic argument?

- A Merit goods – They are provided because there is merit in providing them for their own worth but not necessarily for their benefit to the economy.
- B Externalities – There is full sharing of costs involved in the transaction carried out by factories.
- C Market power - It leads to a healthy competition in the sector between various players in the market.
- D Factor immobility – There is equal distribution of factors of production in the economy.

(2 marks)

QUESTION SEVEN

The following are canons of a good taxation system aimed at achieving revenue collection target by every government in their country.

Which one of the following statements is not true?

- A Certainty – Taxpayers should have a clear understanding of how much they owe, when payments are due, and how the tax system operates.
- B Neutrality – Taxes should not distort economic decision-making and influence individuals and businesses to make choices based on tax considerations.
- C Economy – The cost of collecting taxes and administering the tax system should be ministered.
- D Adequacy – The taxation system should be convenient for taxpayers in terms of payment methods, frequency, and ease of compliance.

(2 marks)

QUESTION EIGHT

The Ministry of Finance and Economic Planning (MINECOFIN) in Rwanda has a Macroeconomic Policy Unit whose purpose is to formulate and monitor the country's economic policies and programs which have a potential impact on domestic and international aspects of economic management (MINECOFIN,2019a).

Which one of the following is not a function of Macroeconomic Policy Unit?

- A Microeconomic management
- B Relations with International Financial Institutions
- C Approving government agencies budget
- D Regional economic integration.

(2 marks)

QUESTION NINE

Monetary and fiscal government economic policy interventions have features that makes it useful and communicating model to stakeholders.

Which one among the below is not a feature associated with monetary and fiscal policy interventions?

- A Social welfare programs
- B Reserve requirements
- C Budget deficits and surpluses
- D Control over money supply

(2 marks)

QUESTION TEN

Public expenditure is shared across a variety of public sector entities to enhance economic growth and service delivery in the country.

Identify among the below, the category which does not fall under public expenditure.

- A Agriculture, water supply, manufacturing, and construction.
- B Internal audit of financial institutions, private sector development, funding private entities budgets.
- C Labor affairs, transport, housing development, cultural services.
- D Sickness and disability, unemployment, family and children, communication.

(2 marks)

SECTION B

QUESTION 11

A government agency is trying to forecast its cash position for the month of January 2023. The following information has been provided for the forthcoming period.

1. Cash receipts from local collection, fine and penalties estimated to be FRW 57,500,000 and FRW 38,000,000 respectively.
2. FRW 20,500,000 cash payments on supplies were incurred. Out of this, a balance of FRW 5,500,000 was agreed to be paid one month in arrears.
3. Repairs & maintenance and administration expenses were FRW 10,000,000 and FRW 18,000,000 respectively.
4. Other cash payments estimated at FRW 3,800,000.
5. Opening cash balance is FRW 700,000.

Additional information

Staff salaries and grants to other entities costs should be increased by 3% above the actual costs for the month of January. The salary and grants to other entities cost in December, 2022 were FRW 30 million and FRW 15.2 million respectively.

Required:

Prepare a cash flow forecast for the entity for the month of January 2023. (10 marks)
(Total: 10 Marks)

QUESTION 12

Public sector financial statements play a crucial role in enhancing transparency and accountability and informed decision making within the government. This ensures value for money to members of the public as they are able to evaluate how their taxes have been accounted for by the government.

Required:

In relation to the statement above, explain the role of Public Sector Financial Statements in ensuring transparency and accountability for public sector activities. (10 marks)
(Total: 10 Marks)

SECTION C

QUESTION 13

Budgeting is a fundamental element of Public Financial Management and forms part of a wider planning framework and can be used as both a plan and a performance measure. Its formulation requires expertise in understanding and outlining processes which match the expected target.

Required:

- a) Discuss budget cycle, clearly indicating the processes in each and every stage. (10 marks)
- b) You have been given the following monitoring report by your functional manager showing over/underspent for the three months for July to September 2021 in relation to the relevant expenditure:

	Original Budget for the year ending 30 June 2022 (FRW M)	Original Budget for the quarter from July to September 2021 (FRW M)	Actual expenditure for the quarter from July to September 2021 (FRW M)	Variance (FRW M)
Capacity development	340	85	170	85
Entertainment and transport	280	70	140	70

You have also been given the following information:

1. The budget for capacity development for the year ended 30 June 2022 is FRW 340 million. The entity expected to have only two events during the fiscal year of equal budget with one taking place in the first quarter ending 30 September 2021 and the second in the last quarter ending 30 June 2022.
2. The annual budget for entertainment and transport is FRW 280 million and is payable in four equal installments in July, September, December, and April.

Required:

In the context of budget profiling, draft a revised budget for your functional manager with explanation to the relevant changes you noted.

(10 marks)

(Total: 20 Marks)

QUESTION 14

You are working in the procurement division of a public sector entity in Rwanda. As part of your orientation, you are expected to demonstrate understanding of the procurement process and the importance of sustainable procurement in achieving national development goals.

Required:

- a) Explain the TEN key stages of the procurement process as proposed by the United Nations (2012). (10 Marks)
 - b) Define sustainable procurement and explain its three (3) key elements. (5 Marks)
 - c) Discuss five benefits of adopting sustainable procurement in the public sector, especially in the context of Rwanda's development goals such as those outlined in Vision 2020. (5 Marks)
- (Total: 20 Marks)**

QUESTION 15

In relation to contributing to the achievement of effective Public Financial Management (PFM), including the principles that govern their activities, various public entities have their own internal audit department set and guided by the International Standards on Auditing.

Required:

- a) Describe the scope of the work of the internal audit department. (12 marks)
 - b) Explain the difference between external and Internal audit in public sectors and how they interact. (8 marks)
- (Total: 20 Marks)**

End of Question Paper