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CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6: PUBLIC FINANCIAL MANAGEMENT
DATE: WEDNESDAY 26, AUGUST 2026

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 to10 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 government pays rice farmers FRW 150 per kilogram produced, without changing the market selling price of rice. **What is the most likely effect on the quantity of rice farmers are willing to supply?**

A Farmers' production costs effectively fall, so they are willing to supply more at any given price
B Farmers' production costs effectively rise, since the payment is offset by the cost of complying with the scheme
C Consumer demand for rice increases, and this explains any change in the market
D Since the selling price is unchanged, the subsidy has no effect on the quantity supplied

(2 Marks)

QUESTION TWO

Which of the following best describes the purpose of the Medium-Term Expenditure Framework (MTEF) in the Public Financial Management cycle?

A To authorize expenditure through Parliament
B To monitor actual expenditure against budget
C To link long-term strategic priorities with annual budgets
D To conduct external audit of financial statements

(2 Marks)

QUESTION THREE

The Ministry of Education in Rwanda is preparing its annual budget. The budget is being developed based on national priorities, sector strategies, and medium-term plans. Stakeholders are also consulted to ensure alignment with public service goals.

Which stage of the budget cycle is being described?

A Budget execution
B Budget formulation
C Budget approval
D Budget evaluation

(2 Marks)

QUESTION FOUR

A public sector entity in Rwanda is planning to acquire ICT equipment. The procurement team begins by clearly identifying the type, quantity, and specifications of the equipment required before proceeding to the invitation of suppliers. **Which stage of the procurement process does this scenario represent?**

A Contract management
B Contract evaluation
C Contract finalization
D Requirements definition

(2 Marks)

QUESTION FIVE

A public sector entity is planning a major infrastructure project. Before inviting bids, the procurement team conducts market research, identifies potential suppliers, and gathers information on their technical capacity and pricing.

Which stage of the procurement process does this activity represent?

A Procurement planning
B Contract finalization
C Sourcing
D Receipt and opening of offers

(2 Marks)

QUESTION SIX

During the procurement of specialized equipment, a public sector entity conducts market research and sends out a non-binding request to suppliers asking for technical specifications, availability, and indicative prices of the products.

Which document is being used in this process?

A Request for Expression of Interest (REOI)
B Invitation to Tender (ITT)
C Request for Information (ROI)
D Contract award notice

(2 Marks)

QUESTION SEVEN

A government introduces user fees for public healthcare services with the aim of improving service quality and reducing unnecessary usage. However, concerns arise that low income individuals may reduce their access to essential healthcare services due to inability to pay.

What does this situation best illustrate?

A The efficiency benefits of taxation over service charges
B The trade-off between equity and usage in service charging
C The inability of service charges to generate public revenue
D The complete failure of service charges as a policy tool

(2 Marks)

QUESTION EIGHT

The Ministry of Finance in Rwanda manages government cash through a central system where all revenues are collected into a single account, borrowing decisions are coordinated centrally, and standardized procedures are applied across all entities.

What type of treasury management system is illustrated, and how does it support financial management?

A Centralised system; enhances control and coordination through a Treasury Single Account and unified procedures
B Decentralised system; improves responsiveness by allowing entities to manage their own funds independently
C Fragmented system; improves flexibility by maintaining multiple accounts across entities
D Independent system; enhances autonomy by separating borrowing decisions across entities

(2 Marks)

QUESTION NINE

A public sector entity relies heavily on cash transactions for payments and retains significant amounts of cash on its premises for extended periods before depositing it in the bank.

What risk is being illustrated, and how can it best be mitigated?

A High cash handling risk; adopt electronic payments and ensure daily banking of cash
B Low liquidity risk; increase cash holdings
C Budgeting risk; reduce expenditure levels
D Investment risk; invest cash in long-term assets

(2 Marks)

QUESTION 10

A public sector entity implements the following measures:

- Cash is stored in a safe before banking
- All payments require approval from a supervisor
- Different staff handle receiving, recording, and banking cash
- Regular reconciliations are performed between the cash book and bank statements

What do these controls collectively represent?

A Budgetary controls aimed at improving expenditure planning
B A combination of physical, authorisation, segregation of duties, and accounting controls
C Treasury management practices focused on investment and liquidity
D Procurement controls related to supplier selection and contract management

(2 Marks)

SECTION B

QUESTION 11

Governments around the world are increasingly adopting digital systems to improve the management of public finances. One such system is the Integrated Financial Management Information System (IFMIS), which is used to support various financial management processes across public institutions.

In Rwanda, the government has implemented an IFMIS (SmartFMS) to support financial operations across ministries and agencies. Despite its adoption, there is ongoing interest in understanding how such systems contribute to improving public financial management.

Required:

a) Explain the concept of IFMIS and its importance in public financial management. (2 Marks)

b) Discuss any FOUR key roles of IFMIS in the public sector, illustrating how each role contributes to improved financial management and accountability. (8 Marks)

(Total: 10 Marks)

QUESTION 12

Public sector institutions are required to establish effective internal audit functions to ensure proper use of public resources and strengthen accountability.

In Rwanda, the Office of the Chief Internal Auditor (OCIA) plays a central role in coordinating internal audit activities across government entities.

Required:

a) What is the primary purpose of internal audit in the public sector (2 Marks)

b) Discuss any FOUR Specific duties and responsibilities of the Office of the Chief Internal Auditor (OCIA) (8 Marks)

(Total : 10 Marks)

SECTION C

QUESTION 13

a) A district education office in Rwanda prepares its annual budget using an incremental budgeting approach, where the previous year's budget is used as a base and adjustments are made for expected changes in prices and activity levels. This approach has been consistently applied across all departments over several years.

Required:

i) Discuss any TWO (2) advantages of using incremental budgeting in this context.
(4 Marks)

ii) Discuss any TWO (2) limitations of using incremental budgeting in the public sector.
(4 Marks)

b) A government vocational training institute provides technical skills programmes to youth across the country. In the year ended 31 December 2025, the institute trained 6 million participants at a total cost of RWF 1,800 million.

An analysis of costs shows that:

- 55% of the total costs are fixed, while the remainder vary with the number of participants
- Fixed costs are incurred evenly throughout the year
- Variable costs vary directly with the number of participants

The institute is preparing its budget for the four months ending 30 April 2026 using an incremental budgeting approach. The following information is available:

- Costs are expected to increase by 6% due to inflation
- The expected number of participants for the 4 month period is 2.4 million
- Efficiency levels will remain unchanged
- All cost increases apply equally to both fixed and variable costs

Required:

Calculate the budgeted total cost for the four months ending 30 April 2026 using incremental budgeting principles. (Show all workings and give your answer to the nearest RWF million.)
(12 Marks)

(Total : 20 Marks)

QUESTION 14

A resident of Rwanda, Mr. Moka, has the following financial information for the month of April 2026:

- He earned a gross monthly salary of RWF 180,000.
- During the month, he spent RWF 236,000(VAT inclusive) on goods and services that are subject to value added tax.
- He also disposed of an asset and realised a gain of RWF 5,000,000.

Other relevant tax information:

1) Personal income tax is charged using progressive tax bands applicable in Rwanda.
2) The standard rate of value added tax (VAT) is 18%.
3) Capital gains tax is charged at 30% on applicable gains.

Required:

Calculate the total tax payable by Mr. Moka for the month of April 2026. (10 Marks)

b) Governments rely heavily on taxation as a key source of revenue to finance public expenditure. However, when designing a tax system, it is not sufficient to only determine the tax base and tax rates. Governments must also consider whether the taxes implemented are suitable in achieving policy objectives and gaining public acceptance.

Required:

Discuss any FOUR (4) factors that governments should consider when determining the suitability of taxes (10 Marks)

(Total : 20 Marks)

QUESTION 15

a) The Government of Rwanda is advancing reforms to improve public sector financial reporting in line with accrual-based IPSAS. A recent assessment by the Ministry of Finance and Economic Planning revealed significant weaknesses in the preparation of financial statements across public sector entities. Some entities only prepare partial reports, omitting key statements such as the Statement of Financial Position and Statement of Financial Performance. Others fail to disclose important elements such as assets, liabilities, and comparative information.

These inconsistencies have made it difficult for users including taxpayers, oversight bodies, and development partners to assess financial performance, ensure accountability, and make informed decisions. In response, the Ministry has directed all entities to fully comply with IPSAS 1 on the presentation of financial statements. However, many accounting officers still lack a clear understanding of its requirements.

You have been engaged as a consultant to support capacity building on IPSAS 1.

Required:

Explain the objective of IPSAS 1 and discuss any SIX (6) components of a complete set of financial statements required under the standard (14 Marks)

b) Public sector financial statements are prepared to meet the needs of a wide range of stakeholders. According to the IPSASB, different users rely on financial information for different purposes.

Required:

Identify the THREE (3) main groups of users of public sector financial statements and explain the specific information needs of each group (6 Marks)

(Total : 20 Marks)

End of question paper

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