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**CERTIFIED ACCOUNTING TECHNICIAN (CAT)**  
**STAGE 3 EXAMINATIONS**  
**S3.6: PUBLIC FINANCIAL MANAGEMENT**

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**DATE: WEDNESDAY 26, NOVEMBER 2025**  
**MARKING GUIDE AND MODEL ANSWERS**

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## **SECTION A**

### **Marking guide**

<b>QUESTION</b>	<b>ANSWER</b>	<b>Marks</b>
QUESTION 1	C	2
QUESTION 2	B	2
QUESTION 3	C	2
QUESTION 4	D	2
QUESTION 5	B	2
QUESTION 6	A	2
QUESTION 7	B	2
QUESTION 8	A	2
QUESTION 9	B	2
QUESTION 10	D	2
<b>Total Marks</b>		<b>20 Marks</b>

## Model answers:

### QUESTION ONE

- **The correct answer is C:** This is because Economic Stabilization is where controls are applied to try to steady the country's economy during unusual times. Such economic stabilization policies may be adopted by a government to try to facilitate the economy recovering from an economic crisis. Controls applied by government through economic stabilization may include freezing salaries and prices, setting minimum wage legislation or even rationing/controlling certain goods and services. Thus, the provision of subsidies to mitigate the effect of fuel price is an example of a direct measure to economic stabilization
- **A** is not correct because the fact that government pays subsidies that would have otherwise been translated into price increases can be regarded as cost-sharing, but the term itself is not an example of government intervention.
- **B** is not correct because political ideology is the market intervention where the government advances ideas that the private sector profit motive will inherently achieve greater efficiency and, therefore, private sector management principles should be deployed in public services provision whenever possible. This may even include the private sector delivering public services on behalf of the state.
- **D** is not correct because income redistribution refers to where government actively try to move income or wealth from wealthy individuals to those in society who are less well off. However, the focus is economy-wide rather than focusing on specific individuals. Methods that may be used by government to apply redistribution include taxation, where wealthy individuals pay more in taxes and the less well-off pay less, or social benefit programme where the less well-off are supplemented.

### QUESTION TWO

- **The correct answer is B:** Excessive market volatility refers to where some markets suffer from extreme fluctuations or instability and may require intervention, such as from the government, to stabilize them. One example, which is often seen in agriculture, is where long term income falls and the farmers lose bargaining power to sell their products. This can result from increased supply and reduced demand. Governments can intervene by subsidizing farmers or implementing a minimum price to be paid to farmers for particular products such as potatoes which are staple foods in Rwanda
- **A** is not the correct answer because public goods or services are goods or services that are non-rival and non-excludable when used or consumed. A non-rival good is one where consumption by one personal does not prevent another personal from consuming that good (e.g., clean air). A non-excludable good is one which, when made available to one consumer, is effectively made available to everyone (e.g., national defense).
- **C** is not a correct answer because merit Goods are positive and good for the consumer whereas Demerit Goods are thought to be bad for the consumer. An example of a demerit

good would-be Cigarettes, which are harmful to health. Now, consumers of merit good or demerit goods may underestimate their respectively benefits or disadvantage to themselves, such as due to lack of information. Therefore, government may intervene to provide or encourage the supply and consumption of merit goods and discourage the supply and consumption of demerit goods.

- **D** is not a correct answer because Producer and Consumer protection is not an example of market failure. The government has intervened because there is an excessive market volatility which is a market failure, and the aim is to protect Producers and Consumers

### QUESTION THREE

- **The correct answer is C:** Options A and B are correct
- **A** is not correct because it excludes B which is also correct
- **B** is not correct because it excludes A which is also correct
- **D** is not correct because A&B are correct answer

### QUESTION FOUR

- **The correct answer is D:** Because **ii & iii** are correct. Medium-Term Expenditure Framework (MTEF) is derived from the national priorities and it provides the link between long term strategies and the shorter term annual budgeted expenditure. The budget call circular is the document through which the national MTEF is communicated to the budget agencies.
- **A** is not correct because National Priorities are defined by the line ministries and other larger budget agencies in consultation with the Ministry of Finance and Economic Planning (MINECOFIN) basing on the national strategic documents like vision 2050, NST1-7YGP and other strategic documents
- **B** is not correct because it includes i which is incorrect
- **C** is not correct because it includes iv which is incorrect. In Rwanda, the budget execution starts on 1<sup>st</sup> July and Ends on 30<sup>th</sup> June

### QUESTION FIVE

- **The correct answer is B:** Most MTEF will cover three or four years (World Bank, 2013), though this can vary by country
- **A** is not correct because MTEF is medium-term not long term in nature
- **C** is not correct. Even if the statement is correct -the first year of the MTEF overlaps with the annual budget, as both are covering the same period- but it is not the reason why MTEF provide a way of overcoming the short-sighted weakness of the annual budget
- **D** is not a correct answer since only B is correct.

## QUESTION SIX

- **The correct answer is A:** Because this is the role of the Ministry of Finance and Economic Planning (MINECOFIN) not the legislature
- B, C and D are not correct answers because they are all role of the legislature

## QUESTION SEVEN

- **The correct answer is B:** The stage whereby money is put aside/ ring fenced to be spent on specific activities is referred to as budget appropriation. This means that every budget line is allocated specific funding that will be used for that activity
- **A** is not correct because Budget formulation is the stage whereby the budget is formulated by aligning it with the priorities. The budgets should be formulated based on a clearly overall strategy and prepared in order to support the implementation of policies to achieve public service goals
- **C** is not correct because planning is the process of showing what the organization wants to achieve in the forthcoming period of financial year and how to achieve it
- **D** is not correct because setting reserves is just to put money aside to cater for uncertainties but not for specific activities unlike the appropriation which is allocation of funds to budget lines.

## QUESTION EIGHT

- **The correct answer is A:** Because Bilateral aid- **is aid** which flows from the donor government sources directly to official government sources in the recipient country. Aid/assistance given by a government directly to the government of another country.
- **B** is not correct because Aid/assistance which is provided by non- government organizations (NGOs) directly to the government of another country is defined as Non-government aid
- **C** is not correct because Aid/assistance provided by governments to international organizations like the United Nations, World Bank, and International Monetary Fund (IMF) is defined as Multilateral aid
- **D** is not correct because there is a correct answer A

## QUESTION NINE

- **The correct answer is B:** Because Excise duty is levy that is charged at the point of manufacturing rather than sales. It may be charged on the manufacturer of imported commodities.
- A is not correct because trading license fee, is paid by any person who starts up a profit-oriented activity in the country. The trading license fee is calculated on the basis of turnover
- C is not correct because Customs duties and tariffs is levy that is charged on imported goods
- D is not correct because Fines are amount charged for individuals or organizations that do not comply with laws, regulations or pay required taxes

## QUESTION 10

- **The correct answer is D:** Because Regressive taxes are where the taxes paid is a large proportion of poorer individual's income than a richer person
- A is not correct because it is not a type of taxes
- B is not correct because Progressive taxes mean that the taxes represent a large proportion of an individual's income as that individual's income rises
- C is not correct because Proportionate tax (or flat rate tax) is where a single tax rate applies. This is in between progressive and regressive taxes

## **SECTION B**

### **QUESTION 11**

#### **Marking guide:**

<b>Details</b>	<b>Marks</b>
Award 1 mark for a listed reason up to maximum of 5 reasons	5 Marks
Award 1 mark of a given explanation up to maximum of 5 reasons	5 Marks
<b>Total Marks</b>	<b>10 Marks</b>

#### **Model answers:**

Though the tender is complex, I would advise AMC to adopt the use of e-procurement and in case there is any complication, the RPPA team will help the AMC team and the process will be easy. Furthermore, the following reasons are the benefits of using e-procurement system and will form the basis for such advice:

- Increased transparency and accountability:** The use of e-procurement by AMC will lead to high transparency and high visibility, as most information will be available and published in the system. There will be equal access to information to all bidders, everything will be clearer and more accountable”
- Price reduction in tendering:** Once the e-procurement is adopted the tendering cost will reduce as the cost for printing and scanning tendering documents will not exist anymore as well as postage fees, advertising fees and other costs associated with tender preparation. The second respondent added that the Administration costs will also reduce as most of the activities under the procurement process will be done electronically, there is a paperwork reduction.
- Reduction in time to source materials:** The time taken to complete the tendering process will reduce as most suppliers are registered in the system AMC will be able to access them easily; it is a wider reach
- Improvement of communication and information flow:** I would advise AMC that the E-Procurement system will improve communication in the sense that anytime, anywhere, information is available 24\*7” filling reports can be retrieved in minimal time”. There are no geographical boundaries, the supply chain is beyond the geographical boundaries, local and international bidders get better access to all the published tenders and communicative bidders get prompts alerts in their phone or email
- Shorter procurement cycle times:** Once e-procurement is adopted, publishing time will reduce, there will be no need to travel to the different newspaper office for publishing the tender. It will be just to post the advert in the system and also the time to open the bid will reduce because bidders are not supposed to be present while opening the bids but simply they will upload it in the system.
- High Quality of procurement decision:** The decision taken out of the e-procurement will be of high quality due to the due diligence and transparency with a well-coordinated flow of information

7. **Fair competition in awarding contracts:** For AMC, e-procurement system will create a single online portal for stakeholders to access information on procurement opportunities, learn about the procurement process, and obtain documents including technical specifications, user-friendly templates, and the terms and conditions for all types of public contracts. The open availability of information will promote equal access for all types of businesses, regardless of the size, by reducing the possibility of large or well-connected firms gaining an advantage because of information asymmetries, and potentially increases competition for this contract
8. **Improved public awareness:** The public will have access to published information and be able to hold accountable the implementing entity
9. **Increased goodwill of the AMC in the eyes of stakeholders:** AMC is an implementing entity for the project, which is relying on funds from the World Bank. The use of e-procurement will enhance transparency and hence the goodwill of the entity which will serve the basis for future funding.

## QUESTION 12

### Marking guide

Details	Marks
Opening balances- for May and June (Award 0.5 Marks each)	1 Mark
Cash sales -for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
Cash collections from Receivables for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
Purchases (10%)- for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
Payment to creditors- for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
Wages - for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
Cash balance (closing) - for April, May, and June (Award 0.5 Marks each)	1. 5 Marks
<b>Total Marks</b>	<b>10 Marks</b>

Note: You can award 1.5 Marks for rent just in case the student has posted the rent figures and missing on other points.

### Model answers

Cash forecast for 2022	April (FRW,000)	May (FRW,000)	June (FRW,000)
Cash & bank balance	15,000	26,700	35,700
Add:			
Cash sale (20%)	18,000	17,000	16,000
	(90,000*20%)	(85,000*20%)	(80,000*20%)
Cash collections from Trade Receivables.	66,000 ((75,000*80%)/2+ (90,000*80%/2))	70,000 ((90,000*80%)/2+ (85,000*80%/2))	66,000
			((85,000*80%)/2+ (80,000*80%/2))
Total cash inflows	99,000	113,700	117,700

Less:			
Cash outflow			
Cash Purchases (10%)	5,000 (50,000*10%)	4,500	3,500
		(45,000*10%)	(35,000*10%)
Payment to trade creditors	37,800	45,000	40,500
	(90%*42,000)	(90%*50,000)	(90%*45,000)
Wages	23,000	22,000	19,000
	(50%*22,000+50% *24,000)	(50%*24,000+50% *20,000)	(50%*20,000+50% *18,000)
Rent	500	500	500
Other expenses	6,000	6,000	5,000
Cash balance (closing)	26,700	35,700	49,200
<b>Total</b>	<b>99,000</b>	<b>113,700</b>	<b>117,700</b>

**NOTE:**

Cash sales are 20% of total sales. Trade Receivables are related to Credit sales which is 80% and they are collected half a month in the next month. This means that cash collections for April will be calculated basing on sales of March and so on. Cash purchases are 10% of total purchases

Trade Creditors are related to Credit purchases which is 90% and they are collected regularly in the next month. This means that 90% of March credit purchases will be paid in April and so on, Wages are paid 50% monthly and the balance is paid in the following month. This means that in April, they will pay the outstanding balance (50%) of March wages and the 50% of April wages and so on. Opening balances are based on the closing balance of the previous month

## **SECTION C**

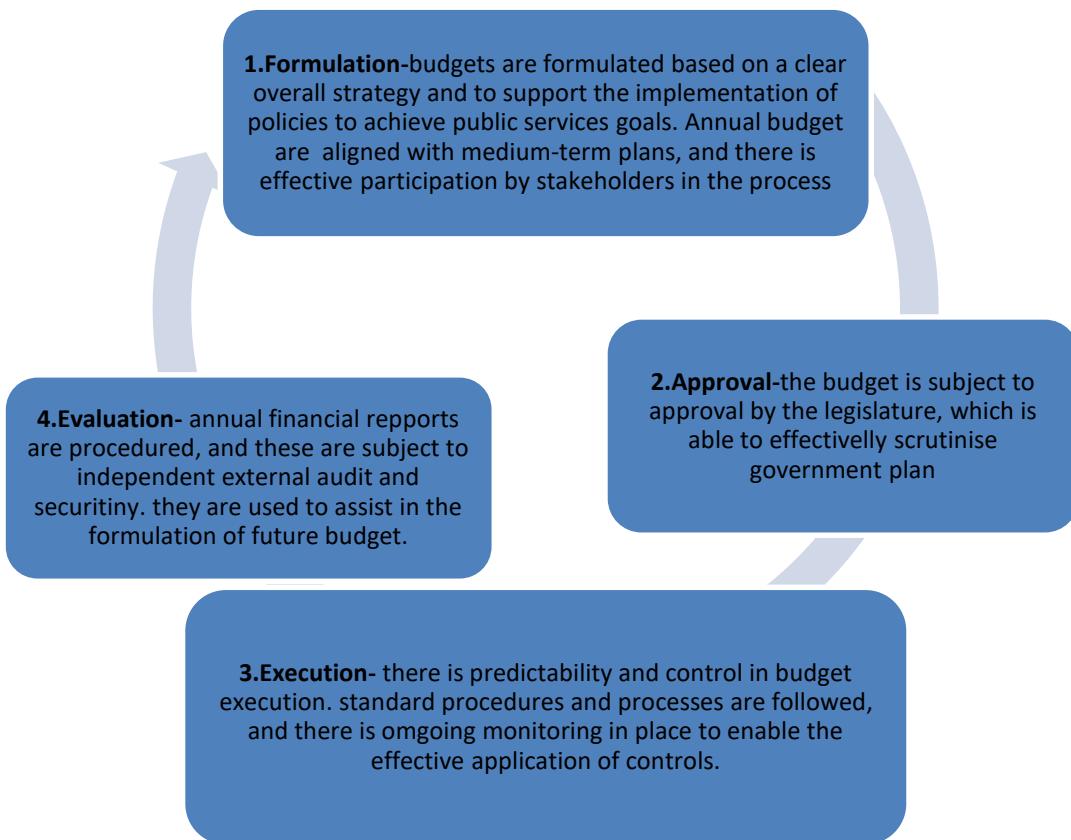
### **QUESTION 13**

#### **Marking guide:**

<b>Details</b>	<b>Marks</b>
Explanation for the meaning of budget cycle	2 Marks
Listing the 4 stages of budget cycle Formulation, Approval, Execution and Evaluation) (Award 1 Mark each)	4 Marks
Explaining the 4 stages of budget cycle (Formulation, Approval, Execution and Evaluation) (Award 1 Mark each)	4 Marks
Sub-Total (a)	10 Marks
Sub-question (b)	
Salaries and wages ( Calculation of 18M is 0.5 Marks, to obtain 2.3M award 0.5 then to get the total 0.5marks)=1.5 Marks	1.5 Marks
Purchase of goods and services	1 Mark
Acquisition of equipment	1 Mark
Maintenance of KIGALI city roads	1 Mark
Training (transport and Logistics) costs	1 Mark
Water and Electricity (Calculation of the figure for water is 1 Mark, calculation of electricity award 1 mark then to get the total 1mark) =3 Marks	3 Marks
Economic Bulbs	0.5 Marks
Total	1 Mark
Sub-Total (b)	10 Marks
<b>Total</b>	<b>20 Marks</b>

a) **Budget cycle** is described as the process of connected stages starting with the formulation, approval, execution and then evaluation of the budget to ensure the effective management of public funds.

Budget cycle is composed of five Stages: Budget Formulation, Budget Approval, Budget execution and Budget evaluation as detailed below:



- **Formulation of the budget:** The first stage of the budget cycle is to formulate the budget. The budgets should be formulated based on a clear overall strategy and prepared in order to support the implementation of policies to achieve public service goals. In Rwanda, the overall strategic direction has been contained in Vision 2020, Vision 2050 which provides a long-term vision to transform Rwanda into a middle-income country.
- **Approval of the budget:** Budgets should be approved by the legislature, which should be able to effectively scrutinize Government plans. In Rwanda, it is the Chamber of Deputies that has the power to approve the annual national budget
- Rwanda's MINECOFIN prepares an annual budget framework paper and Draft Financial law for submission to Cabinet and Parliament for approval. The draft Finance law and supporting notes, provide a summary of the planned revenue and expenditure for the year.

- **Execution of the budget:** There should be predictability and control in budget execution, within standard procedures and processes followed, and ongoing monitoring in place to enable the effective application of control.
- An important concept in relation to government budgeting is that of **budget appropriation**. This is where money is set aside for a specific purpose. It may be that certain funds are **ring fenced** which means that they can only be spent on specific activities
- **Evaluation of the budget:** Annual financial reports should be produced, and be subject to independent external audit and security.
- Budget evaluation should be used to assist in the formulation of future budget, support scrutiny prior to approval, and be used to improve processes related to budget execution.
- Rwanda's MINECOFIN states that monitoring and evaluation of the budget strengthens fiscal discipline and accountability, limits corruption, ensures that resources flow to allocated programs and enables monies to be spent as planned

**b) Extract of expenditure for the year ending 30 June 2022**

Vote head	Details	Amounts	Addition	Incremental	Total
010	Salaries and wages	23,200,000	18,000,000	2,320,000	43,520,000
020	Purchase of goods and services	79,500,000	-	3,975,000	83,475,000
030	Acquisition of equipment	41,000,000	( 4,100,000)	-	36,900,000
040	Maintenance of KIGALI city roads	32,000,000	26,000,000	-	58,000,000
050	Construction of new roads	124,578,000	(124,578,000)	-	-
060	Training (transport and Logistics) costs	12,478,000	-	623,900	13,101,900
070	Water and Electricity	18,000,000	-	( 180,000)	17,820,000
080	Economic bill	-	-	-	5,000,000
		330,756,000			257,816,900

W1 salaries and wages

Addition=  $10*150,000*12= 18,000,000$

Incremental =  $10/100*23,200,000= 2,320,000$

W2 purchase of goods and services

Incremental =  $5/100*79,500,000=3,975,000$

W3 acquisition of equipment

Addition=  $10/100*41,000,000=4,100,000$

W4 training costs

Incremental =  $5/100*12,478,000=623,900$

W 5 water and electricity

$(18,000,000*5/100*40/100) - ( 18,000,000*5/100*60/100) = (180,000)$

## QUESTION 14

### Marking guide:

Details	Marks
a) Award 2 marks for every correct explained responsibility, maximum of 4	8 Marks
<b>Sub-question b)</b>	
Award 4 marks for a correct explanation of the concept of economy in assessment of value for money	4 marks
Award 4 marks for a correct explanation of the concept of effectiveness in assessment of value for money	4 marks
Award 4 marks for a correct explanation of the concept of efficiency in assessment of value for money	4 marks
<b>Total</b>	<b>20 Marks</b>

#### a) Four responsibilities of Rwanda Supreme Audit Institution (SAI)

In Rwanda, the SAI is the **Office of the Auditor General (OAG)**, established by law in 1998 and became the SAI of Rwanda in JUNE 2003 (OAG, 2019). It is headed by the Auditor General According to the constitution of the Republic of Rwanda, the responsibilities of the Auditor General include:

- Auditing revenue and expenditures of the state, as well as other local administrative entities and government projects;
- Auditing the finances of the public sector, verifying whether the expenditures were in conformity with laws and regulation in force and sound management and whether they were necessary
- Carrying out all audits of accounts efficient management, control of the functioning of state organization: and
- Submitting an annual report to each Chamber of Parliament, prior to the commencement of the session devoted to the examination of the budget of the following year, on the consolidated state accounts for the previous year indicating the manner in which the budget was utilized

#### b) This is value for money audit or performance audit. It will be conducted by the SAI-Auditor General to ensure that the ministry has operated economically, efficiently and effectively.

#### Three main aspects will be assessed:

- **Economy** – This is concerned with the cost of inputs, and it is achieved by obtaining those inputs at the lowest acceptable cost. Economy does not mean straight forwarding cost cutting, because resources that are of a suitable quality to provide the service to the desired

standard must be acquired. Cost cutting should not sacrifice quality to the extent that services standards fall to an unacceptable level. Economizing by buying poor quality materials, Labor or equipment is a false economy. For the ministry of health, the inputs would be the costs of building the hospital, and the resources used up

- **Efficiency**- maximizing output for a given input for achieving the minimum input for a given output. This will be assessing how much was incurred in the construction of 5 hospitals given the prevailing market conditions.
- **Effectiveness** – ensuring that the outputs of a service or programme have the desire impact: in other words, finding out whether they succeed in achieving objectives and, if so, to what extent. The outputs would be the hospital building itself. The impacts would be the effect that the new hospitals have on health in the areas it serves

## QUESTION 15

### Marking guide:

Details	Marks
a) Listing 4 key considerations of equity, efficiency, ease of administration and predictability ( award 1 mark each)	4 Marks
Explaining 4 key considerations of equity, efficiency, ease of administration and predictability ( award 1 mark each)	4 Marks
Sub-total (a)	8 Marks
Sub-question (b)	
Listing of 2 main ways of tax avoidance and tax evasion (Award 1 mark for each)	2 Marks
Explanation of 2 main ways of tax avoidance and tax evasion (Award 1 mark for each)	2 Marks
Sub-total (b)	4 Marks
Sub-question (c)	
Correct calculation of output VAT	2 Marks
Correct calculation of input VAT	1 Mark
Correct calculation of VAT refund	1 Mark
Correct date of 15 November 2022	2 Marks
Correct amount of fine	2 Marks
Sub-total (c)	8 Marks
<b>Total Marks</b>	<b>20 Marks</b>

a) Four key considerations that the government of Rwanda should consider in determining the suitability of taxes while deciding on different taxes bases include: **equity, efficiency, ease of administration and predictability**

- **Equity:** This is referred to as the perceived fairness of the tax. Thus, how equitable do members of the public or people paying the tax believe it to be is very important. If people see the tax as being unfair, they are less likely to pay it. There are two key dimensions of tax equity that governments should consider (Bandy, 2015): **Horizontal equity** where people with a similar ability to pay have to pay a similar amount. **Vertical equity** where people with a greater ability to pay have to pay more. Government should also consider the breadth of taxes, so that a large proportion of tax income is not relying on a small sub-section of the population.
- **Ease of administration:** Ease of administration in relation to taxation may refer to the cost of collecting the tax in comparison to the revenue received from the tax. There is little point having a tax that costs most to implement than the income tax received. Additionally, it is useful for both the government and public to have taxes which are simple. For example, tax-payers are often more likely to pay the tax if it is simple to understand and tax chargeable is less likely to include errors. However, governments must see the simplicity and ease of administration in comparison to the other important features of an effective tax system, such as equity
- **Efficiency:** It might seem obvious that a taxation system should be efficient, but what exactly does this mean? Well, efficiency can cover a variety of issues. Firstly, in terms of administration efficiency which we have just considered above. Secondly, is the issue around whether the tax will change people's behaviour. Ideally, an efficient or neutral tax is one that does not distort the economy by individuals or companies making decision due to the tax being in place. There is the possibility that taxes may result in behaviour changes, which could be intended or unintended. This link back to the issue on government intervention covered in Unit 1. Finally, there is the issue of how easily taxes can be identified and collected in practice. For example, taxes payable on an individual's wealth are problematic as wealth are problematic as wealth can be hidden, resulting in reduced levels of tax being payable.
- **Predictability:** Predictability in a tax system relates to the certainty with which the government or individuals can effectively budget the tax to be paid or received. For governments, taxation comprises a significant proportion of their income and any budgets will be based on the predicted levels of tax to be collected. It is, therefore, essential that the government can reliably predict the amount of tax revenue. For individuals, too, it is useful to know how much tax they are likely to have to pay as it may impact on decision-making

**b) Two main ways that individuals may use to escape tax or minimize tax liability are Tax avoidance and evasion**

**Tax avoidance:** is the management of financial affairs within the constraints of the tax regime to minimize the amount of tax paid (Bandy, 2015). Tax avoidance is, therefore, not illegal. Individuals or companies may employ financial advisor to look for loop holes in the tax laws in order to minimize tax payable. Often the tax savings such advisors find is significantly greater than the fee they charge, making it worthwhile for individuals to pursue. An example of tax avoidance would be to receive tax-free benefits from an employer instead of taxable pay. There may be ethical issues around how appropriate it is for members of the public to avoid paying tax that the government needs to use on providing public services. That is, perhaps, down to individual perspectives as legally they have done nothing wrong

**Tax avoidance** is the legal management of financial affairs within the constraints of the tax system to minimize the amount of tax paid.

**Tax evasion:** is the deliberate misrepresentation of financial affairs in order to reduce the tax liability due unlike tax avoidance, tax evasion is illegal. An example is where an individual earns cash and does not report it as earnings or income. Another type of tax evasion may involve false accounting, such as in relation to VAT. Tax evasion is the illegal misrepresentation of financial affairs to reduce tax liability

c)

**i. VAT calculation for the period**

Details	Amounts
Sales VAT output = $(5,000,000 * 18/118)$	762,712
Purchase VAT input = $(3,200,000 * 18/100)$	576,000
<b>Net VAT Refund</b>	<b>186,712</b>

When a price is quoted exclusive: VAT=Price\*18%

When a price is quoted inclusive: VAT=Price\*18/118

ii. 15 November 2022

Article 25 of the VAT law states that the VAT shall be declared Within fifteen (15) days after the end of the period of the value added tax.

iii. An administrative fine of FRW500, 000 is charged for non-registration of VAT

## **END OF MARKING GUIDE AND MODEL ANSWERS**