



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.6: PUBLIC FINANCIAL MANAGEMENT

DATE: WEDNESDAY 25, FEBRUARY 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 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

Which of the following statements is correct meaning of the public expenditure in Rwanda?

- A Money spent only on development projects funded by donors.
- B Government spending on goods, services, employee compensation, and national defence.
- C Spending by private companies on public infrastructure.
- D Expenditure limited to social protection programmes only.

(2 Marks)

QUESTION TWO

In Rwanda, the National Bank of Rwanda (BNR) plays a key role in managing economic conditions. **Which of the following actions best reflects this role?**

- A Determining government expenditure priorities through the national budget
- B Influencing the supply of money and the cost of borrowing in the economy
- C Setting tax rates to increase government revenues
- D Managing only foreign exchange transactions for international trade

(2 Marks)

QUESTION THREE

During Rwanda's public sector budgeting process, different institutions and professionals play specific roles to ensure proper planning, approval, execution, and accountability of public funds.

Which of the following bodies has the authority to adopt the annual national budget and hold the Government accountable for the use of public resources?

- A Ministry of Finance and Economic Planning (MINECOFIN)
- B Cabinet
- C Chamber of Deputies
- D Office of the Auditor General

(2 Marks)

QUESTION FOUR

A government ministry prepares a budget that groups activities such as policy awareness campaigns, investigations, and service delivery under broad objectives like good governance and integrity. The budget allows decision-makers to assess how resources contribute to achieving these objectives rather than focusing only on items such as salaries and fuel.

Which budgeting approach is most consistent with this practice?

- A Incremental budgeting
- B Zero-based budgeting
- C Recurrent budgeting
- D Programme-based budgeting

(2 Marks)

QUESTION FIVE

Rwanda receives financial support from international development partners to complement domestic resources in financing development programmes. **What do you understand by Official Development Assistance (ODA) received by Rwanda?**

- A Public funds provided by foreign governments or multilateral institutions to promote economic development and welfare
- B Financial assistance from private companies that must be repaid with interest
- C Emergency aid provided only through non-governmental organisations
- D Financial support provided to countries that are not eligible under OECD rules

(2Marks)

QUESTION SIX

A Rwandan public sector entity is reviewing its procurement policy to align it with national development goals and international sustainability standards. The entity decides to consider suppliers' labour conditions, environmental impact of products, and long-term cost implications rather than awarding contracts solely to the lowest bidder.

Which of the following combinations of outcomes reflects the main benefits of adopting sustainable procurement?

- A Immediate cost minimisation, faster procurement processes, and reduced administrative controls
- B Long-term efficiency savings, reduced environmental pollution, and promotion of innovation in the supplier market
- C Elimination of procurement risks, guaranteed supplier compliance, and reduced need for monitoring
- D Increased short-term expenditure, exclusive focus on environmental issues, and reduced competition among suppliers

(2Marks)

QUESTION SEVEN

A Rwandan public sector entity enters into a procurement contract for services whose scope and duration cannot be precisely determined in advance. The entity wants payments to reflect the actual level of service delivered while allowing flexibility during contract execution.

Which of the following statements supports the choice of the pricing method used?

- A Payments should be based on agreed unit prices, allowing costs to vary with the level of service provided.
- B A fixed total price should be agreed in advance to simplify administration, regardless of changes in service needs.
- C The contract should always be awarded on a fixed price basis if its duration does not exceed nine months.
- D The contract price should exclude monitoring and payment terms to allow flexibility.

(2Marks)

QUESTION EIGHT

A government experiences situations where some ministries hold large cash balances in their bank accounts while the central government is borrowing to meet short-term payment obligations. To address this problem, the government considers strengthening its treasury management arrangements.

Which of the following actions would be most effective in improving cash management in this case?

- A Increasing government borrowing limits to meet short-term cash shortages
- B Delaying payments to suppliers until sufficient cash becomes available
- C Allowing ministries to independently manage their own bank accounts without central oversight
- D Consolidating government cash balances through a Treasury Single Account managed centrally

(2Marks)

QUESTION NINE

An external auditor working for the Rwandan Office of the Auditor General (OAG) has heard rumors that the audited entity is dishonest and reports inaccurate figures. The auditor has been prejudiced by this information before starting the audit.

Which of the following OAG core values is the external auditor failing to comply with?

- A Integrity
- B Accountability
- C Objectivity
- D Confidentiality

(2Marks)

QUESTION 10

A public sector entity in Rwanda is preparing its general-purpose financial statements and wants to improve transparency, accountability, and comparability with other public sector entities. The entity decides to apply accounting standards specifically developed for the public sector rather than private-sector standards.

Which of the following bodies is responsible for developing these public sector accounting standards?

- A International Accounting Standards Board (IASB)
- B International Auditing and Assurance Standards Board (IAASB)
- C International Public Sector Accounting Standards Board (IPSASB)
- D Institute of Certified Public Accountants of Rwanda (ICPAR)

(2Marks)

SECTION B

QUESTION 11

a) The National Public Infrastructure Agency (NPIA) is a public sector organization responsible for implementing long-term government infrastructure programmes. In recent years, NPIA has faced challenges because its annual budget did not adequately reflect long-term national development priorities. To improve planning and budgeting, the Ministry of Finance and Economic Planning (MINECOFIN) recommended adopting a budgeting framework that links long-term strategies with annual budgets.

Required:

Define what is a Medium-Term Expenditure Framework (MTEF) and explain THREE ways in which it would help NPIA improve its budgeting process. (4 Marks)

b) The National Skills Development Agency (NSDA) has an approved training budget of FRW 120 million for the year ending 30 June 2025. The budget relates to a national training programme that will be delivered mainly during the second half of the financial year.

At the end of December 2024, the following information is available:

- 1) The original budget was evenly spread across the year.
- 2) Actual expenditure incurred from July to December 2024 amounted to FRW 80 million.

Required:

- i) **Calculate the budget variance for the period July–December 2024 based on the original budget profile** (2 Marks)
 - ii) **Recalculate the variance assuming that 75% of the annual budget was planned to be spent in the second half of the year** (2 Marks)
 - iii) **Briefly explain why the revised variance gives a more meaningful result for budget monitoring** (2 Marks)
- (Total 10 Marks)**

QUESTION 12

- a) **Discuss FOUR key characteristics of the public sector that distinguish it from the private sector** (4 Marks)
- b) During the COVID-19 economic slowdown, the Government of Rwanda, through MINECOFIN, introduced an Economic Recovery Fund of about FRW 100 billion to support businesses in sectors such as tourism, transport, and manufacturing. The government also increased social protection spending to support vulnerable households and introduced measures to stabilise economic activities.

Required:

Discuss 3 reasons why the Government of Rwanda intervened in the economy in this situation. (6 marks)
(Total 10 Marks)

SECTION C

QUESTION 13

a) In the public sector, effective treasury management depends on the ability of government entities to plan and manage the timing of cash inflows and outflows in order to implement approved budgets and deliver public services.

Required:

Discuss 5 ways in which cash flow forecasting helps in the management of public sector finances. (5 Marks)

b) The International Public Sector Accounting Standards Board (IPSASB) developed the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities to guide public sector financial reporting and the development of International Public Sector Accounting Standards (IPSAS). In developing this framework, the IPSASB took into account the unique nature and operating environment of public sector entities.

Required:

As a CAT candidate, discuss any FOUR (4) characteristics of the public sector that the IPSASB considered in the development of the Conceptual Framework. (8 Marks)

c) A District Education Office purchased teaching materials costing FRW 4,800,000. The materials were:

- Ordered on 18 June 2025
- Delivered by the supplier on 25 June 2025
- Invoiced on 26 June 2025 (payment due by 20 July 2025 as per the contract)
- Paid by the District Education Office through bank transfer on 8 July 2025

The financial year of the District Education Office runs from 1 July to 30 June.

Required:

Prepare the journal entries to record the above transaction under:

- i) **Cash basis accounting** (3 Marks)
- ii) **Accrual basis accounting** (4 Marks)

Total (20 Marks)

QUESTION 14

a) Public sector entities are subject to independent external scrutiny as part of the public financial management framework. External auditors carry out different forms of audit work depending on the objectives of the audit and the nature of the public sector entity being examined.

Required:

Discuss the THREE main types of external audit carried out in the public sector.

(6 Marks)

b) Explain any FOUR qualitative characteristics of good financial information as set out in the IPSASB Conceptual Framework. (4 Marks)

c) Over the past decade, the Government of Rwanda has implemented an Integrated Financial Management Information System (IFMIS) across central and local government entities as part of wider Public Financial Management (PFM) reforms. The system was introduced to strengthen budget execution, financial reporting, transparency and accountability. While the IFMIS has delivered several improvements, its implementation has also presented a number of challenges and risks.

Required:

Discuss FIVE key benefits and FIVE risks associated with the implementation of an IFMIS in the public sector.

(10 Marks)

Total (20 Marks)

QUESTION 15

a) In Rwanda, taxes are the main source of government revenue used to finance public services such as education, healthcare, infrastructure, and social protection programmes. The Government collects different types of taxes, based on various tax bases and rates, in order to raise revenue in a fair and efficient manner.

Required:

- i) Explain why taxes are described as compulsory and unrequited payments.** (3 marks)
- ii) Differentiate a tax base from a tax rate showing how they are used together to calculate tax payable.** (3 marks)
- iii) With reference to Rwandan taxation system, discuss THREE main types of tax bases used by the Government to raise revenue.** (6 marks)

b) Mr. Joe works for ABC Ltd in Rwanda as full-time employee. He earns a basic salary of FRW 120,000 per month. In addition, he receives the following monthly allowances:

- Transport allowance (taxable): FRW 30,000
- Housing allowance (taxable): FRW 20,000
- Medical allowance (non-taxable): FRW 15,000

Required:

- i) Calculate the total taxable income of Mr Joe for the month.** (3 marks)
- ii) Calculate the Pay As You Earn (PAYE) tax payable for the month.** (3 marks)
- iii) Calculate the net salary payable to Mr Joe.** (2 marks)

(Total 20 Marks)

End of question paper

