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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATION**

S3.6 PUBLIC FINANCE MANAGEMENT

DATE: WEDNESDAY, 27 JULY 2022

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

In addition to taxation, services charges are also other source of revenues for the government and they are charged against the public service received. However, there are different arguments for and against the payment of service charges. Thus, the following are the advantages of services charges, **except**:

- A Equity
- B Value
- C Expense
- D Services quality

(2 Marks)

QUESTION TWO

Since 2009, the Ministry of Finance and Economic Planning (MINECOFIN) has been establishing and implementing an IFMIS in different aspects including planning and budgeting, cash management, procurement and payments, accounting and reporting and auditing.

Which of the following is/are the benefit(s) of using IFMIS in the budget cycle?

- A It improves budget planning and execution by providing timely, accurate data for both budget management and decision-making
- B It enables management to make better use of budgeted resources
- C It helps achieving outcomes at lowest cost possible
- D All of the above

(2 Marks)

QUESTION THREE

The medium-term expenditure framework (MTEF) that was adopted by MINECOFIN provides the link between long-term policies or strategies and the shorter-term annual budget expenditure, aiming to ensure that expenditure incurred is on areas to address strategic goals.

This was adopted because:

- A The government did not have enough funds to finance the annual budget
- B The annual budget is short-sighted while many public sector programs cover several years
- C The MTEF is short term in nature and can help in the implementation of short-term plans
- D None of the above

(2 Marks)

QUESTION FOUR

External audit is involved in a variety of areas including assessment of financial statements adherence to standards, rules and regulations and ensuring the value for money. **The type of audit that assesses if public institutions are spending economically, effectively and efficiently the public funds is referred to as:**

- A Financial audit
- B Compliance audit
- C Efficiency/better use audit
- D Performance audit

(2 Marks)

QUESTION FIVE

References made to Rwanda's national priorities, organizations, particularly in the public sector, have wide range of cross cutting objectives including social, environmental and economical aspects that they need to take into consideration while making procurement decisions. **The concept of procurement that covers these aspects is referred to as:**

- A Responsible Procurement
- B Sustainable procurement
- C Social, Economic and Environmental Procurement
- D All the above

(2 Marks)

QUESTION SIX

The Government of Rwanda adopted the use of IFMIS since 2009 as part of PFM Reforms. **The benefits of using IFMIS include:**

- i) Enabling efficient government reforms and improving efficiency and controls
- ii) Improving budget, planning and decision-making
- iii) Reducing salary and wages bill for public civil servants

- A (i) Only
- B (i) and (ii)
- C (i), (ii) and (iii)
- D (ii) and (iii)

(2 Marks)

QUESTION SEVEN

The budget cycle is an essential part of Public Financial Management (PFM) with the following inter-connected sequential stages:

- A Budget Formulation- Budget Approval-Budget Execution-Budget Evaluation
- B Budget Formulation- Budget Evaluation-Budget Approval-Budget Execution
- C Budget Preparation- Budget discussion-Budget Review-Budget Execution
- D Budget Preparation- Budget Formulation-Budget Review-Budget Execution

(2 Marks)

QUESTION EIGHT

The Office of Auditor General (OAG) of States Finances is the Supreme Audit Institution in Rwanda. Some of the responsibilities of the Auditor General include:

- A Auditing revenue and expenditures of the state, as well as other local administrative entities and government projects
- B 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
- C Carrying out all audits of accounts efficient management, control of the functioning of state organization and inviting the heads of public institutions to provide explanation on the use of public funds during public hearing
- D A and B Only are correct

(2 Marks)

QUESTION NINE

E-procurement has become an increasingly common alternative to traditional procurement, and with its adoption, it will improve the cost effectiveness of procurement practices. **Which of the following are the benefits brought by e-procurement?**

- A Improved government accountability
- B Communication anywhere, anytime
- C Lower transactions costs and improve access to public procurement information
- D All of the above

(2 Marks)

QUESTION 10

Which of the following types of tax describe where a single rate of tax applied?

- A Reactionary
- B Progressive
- C Proportionate
- D Regressive

2 Marks)

SECTION B

QUESTION 11

In order to fund its expenditure, governments collect revenues from different sources including taxes and other non-tax revenues. During the year ended 30 June 2021, the notes to the financial statements in relation to revenues showed the following detailed information:

1. 20% of revenues collected during the year related to charges on imported goods,
2. 5% relate to charges by individuals who started business activities,
3. 15% were collected from mining industries,
4. 3% were collected from business companies which did not issue an EBM receipt to their customers,
5. 2% collected from sale of government unused assets,
6. 10% from the dividends declared by government business enterprises,
7. 30% from Pay as you Earn (PAYE) and;
8. 15% from external grants

Required:

- a) **Identify and discuss “Other Non-tax sources of Government revenues” in the above scenario** (6 Marks)
 - b) **Differentiate tax base from tax rate** (4 Marks)
- (Total: 10 Marks)**

QUESTION 12

External audit is involved in a variety of areas, especially in the public sector.

- a) **Discuss Three (3) main types of public sector external audit that may be conducted by the Office of Auditor General** (6 Marks)
- b) The Office of Auditor General is planning to start the audit in your public institution for the year ended 30 June 2021. The Auditor General has sent an audit notification letter to the Chief Budget Manager of your institution to start the preparation. The Auditor General has also shared the list of information needed before commencing the audit. The Chief Budget Manager of your institution has assigned the internal audit to start working with different units in organizing the required information to ensure the readiness in audit exercise.

Required:

Discuss how your organization would effectively work with the team of the Auditor general to ensure the successful completion of audit exercise.

(4 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

a) Budgeting in public sector is an essential component of management control systems, as it provides a system of planning, coordination and control for management. Thus, Public institutions will prepare budgets for both recurrent or revenue and development or capital expenditures using different approaches.

Required:

Differentiate incremental budgeting approach from zero based budgeting approach

(4 Marks)

b) Below is the extract of expenses of MININTERSEC for the year ended 30 June 2021:

Description	FRW
Salaries and wages	120,000,000
Water and Electricity	18,000,000
Purchase of goods and services	65,000,000
Total	203,000,000

When the budget for the year ending 30th June 2022 was being prepared, the management estimated that six (6) new employees will be hired with the salary of FRW 250,000 per month each starting from 1st July 2021. It was also decided by the company to give an increment to the existing employees of 10%. With the new construction that will be completed in March 2022, the water bill is expected to increase by 10% whereas the electricity bill, which was 60% of the total water and electricity bill will reduce by 5% as a result of new economical bulbs acquired. The purchase of goods and services will be incremented by 5%. The management has also agreed that a price inflation of 5% will be taken into consideration while budgeting for all annual expenses.

Required:

Using incremental budgeting approach, prepare the extract of the budget of MININTERSEC for the year ended 30th June 2022.

(16 Marks)

(Total: 20 Marks)

QUESTION 14

A government may sometimes intervene in the economy with the aim of redressing some issues. Market failure is one of the circumstances when governments may choose to intervene in their country's economy.

Required:

Identify and explain any Five (5) arguments of market failure that may occur to prompt the government intervention. (20 Marks)

(Total: 20 Marks)

QUESTION 15

The IPSASB (2014) states that the objective of financial reporting by public sector entities is to provide information about the entity that is useful to the users of general-purpose financial reporting for accountability and decision-making purposes.

Required:

a) Explain with clear example the concept of public accountability in public sector

(5 Marks)

b) Identify and explain at least Five (5) key users of public sector general purpose financial information and their respective needs

(15 Marks)

(Total: 20 Marks)

End of question paper

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