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**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 3 EXAMINATIONS**

**S3.6: PUBLIC FINANCE MANAGEMENT**

**DATE: WEDNESDAY 27, NOVEMBER 2024**

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**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 is not a characteristic of the Public Sector?**

- A Lack of equity ownership where public sector entities do not act to enhance the economic position of the entity for the benefit of the owners,
- B Rights and responsibilities provide governments with the ability to affect the economy and society,
- C Hold resources, such as property, plant and equipment, to generate future cash flows
- D Participate in a large amount of non-exchange transactions.

**(2 Marks)**

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### **QUESTION TWO**

**Which of the following statements is true about the Economic policies?**

- i) Monetary policy is the action that a commercial bank takes to influence how much money is in the economy and how much it costs to borrow,
- ii) Fiscal policy is the use of government expenditure to influence the economy,
- iii) Supply refers to the quantity of a product or service that buyers desire or require, assuming a specific price for the product,
- iv) Demand is the amount that the market can provide, again at a certain price.

- A (i) and (ii),
- B (iii) and (iv),
- C All of the Above,
- D None of the Above.

**(2 Marks)**

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### **QUESTION THREE**

The various parties involved in the budgeting process have already been referred to briefly in relation to the budgeting cycle. However, it would be useful to review the key responsibilities of some of the key parties regarding public sector budgeting in Rwanda.

**Which of the following is true?**

Statement 1: The Chamber of Deputies is the only body with the power to adopt the annual budget for all public entities, including any revisions made after considering, debating and providing comments on the Budget Framework Paper, draft budget estimates and the draft finance law,

Statement 2: The Cabinet provides strategic guidance on resource allocation, as well as approving the Government's broad strategic objectives and priorities for budgetary policies which are outlined in the Budget Framework Paper.

- A Both (Statement 1) and (Statement 2) are true,
- B Both (Statement 1) and (Statement 2) are false,
- C (Statement 1) is true and (Statement 2) is false,
- D (Statement 2) is true and (Statement 1) is false.

**(2 Marks)**

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#### **QUESTION FOUR**

**Which of the following budgeting approaches is adopted by the Rwandan Government?**

- A Program based budgeting,
- B Zero-based budgeting,
- C Performance-based budgeting,
- D Incremental budgeting.

**(2 Marks)**

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#### **QUESTION FIVE**

The taxation is a key way that governments raise revenue. Although the taxes may be used to provide public services, taxes are payable irrespective of whether the individual obtains a benefit or not. There is no direct link between paying taxes and the benefit received from using public services. Now, there are other methods through which governments can obtain additional revenue. One of these is charging for certain services.

**Which of the following are advantages of service charges?**

- i) Equity – some argue that all public services should be available to everyone, irrespective of the ability to pay.
- ii) Value – individuals will only pay a charge that fits (or does not exceed) the benefit of the service they are expecting to receive.
- iii) Usage – paying directly for a service can also affect behavior,
- iv) Service quality – if people are paying for a service, they usually demand a certain level of quality and this demand is often higher than if the service is being provided for free. This expectation of a certain service quality can also impact on the accountability of the service provider.

- A (i) and (ii),
- B (i), (ii), and (iii),
- C (ii), (iii) and (iv),
- D All of above

**(2 Marks)**

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## QUESTION SIX

JB Ltd is a food and beverage manufacturing company; currently, the 10% charge rate is levied from produced mineral water at the manufacture point.

**Which of the following types of tax is this?**

- A Value added,
- B Excise duties,
- C Licence fee,
- D Customs duties.

**(2 Marks)**

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## QUESTION SEVEN

The RPPA states that the rationale of e-procurement is that it enhances the key principles of procurement (RPPA, 2012a),

**Which of the following is not among the key principles of procurement?**

- A Accountability,
- B Transparency,
- C Value for money,
- D Timeliness.

**(2 Marks)**

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## QUESTION EIGHT

G.S Gaseke is a boarding public school, the chief cashier prepares a record of each payment made by the students when they are admitted at the school. He usually posts these transactions in the receipts book and ensure that the cash paid are secured and locked in safe until they are banked.

**Which of the following controls is lacking?**

- A Authorization,
- B Physical,
- C Segregation of duties.
- D None of the above.

**(2 Marks)**

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## QUESTION NINE

In order to be useful and meet its intended objectives, financial information must have the attributes of good information.

**Which of the following is (are) element(s) of the Relevance characteristic of good information?**

- i) Neutral,
- ii) Confirmatory value,
- iii) Free from error,
- iv) Predictive value,

- A (i) and (iii),
- B (ii) and (iv),
- C (ii), (iii), and (iv),
- D All of above.

**(2 Marks)**

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## QUESTION 10

There are different 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):

**Which of the following is not environmental protection related expenditure?**

- A Water supply,
- B Research and development in environmental protection,
- C Protection of biodiversity and landscape,
- D All of the above.

**(2 Marks)**

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## **SECTION B**

### **QUESTION 11**

During the budgeting stage of the Public Financial Management cycle, the budget agencies will plan their expenditure allocations to their programmes and sub-programmes based on their strategic priorities.

**Required:**

**Discuss how the budgeting cycle process may be applied to a Public Sector Organization to achieve its objectives. Enumerate also organ(s) that participate to each stage in the case of Rwanda.** (Total: 10 Marks)

### **QUESTION 12**

Procurement in the public sector is likely to focus on obtaining public goods or services. All public sector organizations will need to acquire a range of products in order to be able to provide their services. However, the procurement is basically the process of acquiring such goods, usually from external suppliers.

**Required:**

- a) Following the flowchart that sets out stages of procurement process, **what are the key stages of the procurement process proposed by the United Nations (2012)?** (5 Marks)
  - b) **Enumerate any five potential benefits of sustainable procurement.** (5 Marks)
- (Total: 10 Marks)**

## **SECTION C**

### **QUESTION 13**

Currently, a government in an overseas country is facing increasing complaints from taxpayers due to significant weaknesses in the taxation regime introduced by the previous administration three years ago. These complaints reflect widespread dissatisfaction among citizens, prompting them to elect a new government to address the situation. The tax authority has struggled to justify the basis of its current taxation practices, with inconsistencies in tax rates and mismatches in their calculation being key issues. Over the past two years, tax rates have fluctuated without a clear rationale, making it difficult for taxpayers to predict cash flows. Furthermore, the cost of tax collection has exceeded the revenues collected, indicating inefficiencies in the system.

The newly elected government has pledged to improve its taxation regime by implementing a more suitable taxation policy as part of broader Public Financial Management (PFM) reforms.

#### **Required:**

- a) **Identify the factors the previous government failed to consider in designing a suitable tax regime, and explain why these factors were overlooked.** (6 Marks)
  - b) **Discuss the key considerations the new government should focus on to reform and enhance its taxation regime based on the scenario.** (14 Marks)
- (Total: 20 Marks)**

### **QUESTION 14**

The Treasury Management Department of Government of Rwanda's Ministry of Finance and Planning (MINECOFIN) has a Cash Plan Management Section which aims to ensure the Government's resources are efficiently managed by performing the different functions (MINECOFIN, 2019h).

#### **Required:**

- a) **What are functions of the Cash Plan Management Section in the MINECOFIN to ensure efficient management of government's resources.** (5 Marks)
- b) **PJM Ltd; a State-owned Enterprise is preparing its cash budget and the following are data given:**

The sales in units are the following for the months of September: 12,000 units, October: 13,000 units, November: 14,000 units and December: 14,000 units. All sales were at FRW 80 per unit.

Payment to suppliers is FRW 118,000 for September, FRW 126,000 for October, FRW 137,000 November, and FRW 150,000 for December.

Production expenses are estimated as FRW 41, 000 for September, FRW 44, 000 for October FRW 46, 000 for November and FRW 48,000 for December. This figure includes FRW18,000 of depreciation charge each month.

Monthly wages are payable one month in advance: FRW 15,000 for November, FRW 17,000 December, and FRW 17,000 January next year.

Selling costs are estimated as 10% of the sales revenue for the period, 75% are payable in the month in which they are incurred and the balance in the following month.

Rental expenses are expected to be FRW 15,000 each month.

**Addition information:**

1. On the 1 October PJM Lt is anticipated to have a cash balance of FRW 45,000.
2. The cash collection policy from its customers, a 5% discount is allowed if they pay in the month of sale: 60% of customers pay in the month of sale and take the discount, 30% pay the month after sale and the rest is received two months later, although 8% of all invoices are expected to become irrecoverable debts.

**Required:**

**Prepare a cash flow plan for each of the three months ending 30 December 2024**

(15 Marks)

**(Total:20 Marks)**

**QUESTION 15**

Public sector entities may adopt cash or accruals accounting. In the past, cash accounting has tended to dominate the public sector and is still used, particularly in Asia, Latin America and Africa. However, the majority of countries in North America, Europe and Oceania have already moved to accrual-based accounting and there continues to be movement towards accrual accounting in other world regions (Müller-Marqués and Ernst & Young, 2018).

Generally, most of the countries are recommended to move from cash accounting to a complete accrual accounting as the cash accounting fails to provide full and all necessary information to the expected users of published financial statements.

**Required:**

- a) **Discuss different aspects of the accrual accounting that a government should use to ensure adequate move from cash accounting to accrual accounting.** (5 Marks)

The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) was developed and published by the International Public Sector Accounting Standards Board (IPSASB) in 2014, setting out the concepts that underpin general financial reporting and the development of International Public Sector Accounting Standards (IPSAS).



**Required:**

- b) **List and explain at least elements of a complete set of Financial Statements in accordance with IPSAS 1 on an accruals basis should comprise.** (12 Marks)
  - c) **List at least three Minimum information to be presented on the face of the Statement of Financial Performance as per IPSAS 1.** (3 Marks)
- (Total: 20 Marks)**

**End of Question Paper**

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