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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.6: PUBLIC FINANCIAL MANAGEMENT

DATE: WEDNESDAY, 30 MARCH 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

Which of the following justifies government intervention in economies, where direct or indirect control measures are applied to try to steady the country's economy during unusual times?

- A Market failure
- B Redistribution
- C Political ideology
- D Economic stabilization

(2 Marks)

QUESTION TWO

Which of the following statements is wrong?

- A Monetary policy is the use of government expenditure and revenue collection to influence the economy.
- B Fiscal policy is the action that a country's central bank or government take to influence how much money is in the economy and how much it costs to borrow
- C One of the key instruments that the central bank uses to implement the monetary policy framework is the open market operations.
- D (A) and (B)

(2 Marks)

QUESTION THREE

In budgeting process, various parties are involved at different level of the budget cycle i.e. formulation, approval, execution and evaluation. Among the following who is responsible to holding government to account on the use of public resources.

- A Chamber of Deputies
- B Auditor General
- C Council of decentralized entity
- D (A) and (C)

(2 Marks)

QUESTION FOUR

During a tax audit for the year 2020, an auditor from Domestic revenue department realized that one of the construction company being audited has not registered its employees. Which of the following statements describe this scenario?

- A The legal management of financial affairs within the constraints of the tax system to minimize the amount of tax paid
- B The illegal misrepresentation of financial affairs to reduce tax liability
- C Receive tax-free benefits from employer instead of a taxable pay
- D (A) and (C)

(2 Marks)

QUESTION FIVE

The cash plan officer of a district hospital prepared the cash flow plan for the financial year 2020/2021. In quarter three of the implementation an emergency requiring extra cash occurred. Which advice the cash plan officer would give the management of the district hospital to handle the emergency?

- A Invest the cash for a short-term period
- B Negotiate for additional resources
- C Smooth the timing of payments
- D (B) and (C)

(2 Marks)

QUESTION SIX

The implementation of Integrated Financial Management Information System (IFMIS) can offer to the public sector more benefits by improving their Public Finance Management(PFM). Which one of the following is a specific benefit of IFMIS and more dependent on the successful design and features of the individual IFMIS?

- A Establishes effective link between accounting and financial management
- B Improved management information for decision making
- C Reduce costs
- D (a) and (b)

(2 Marks)

QUESTION SEVEN

Various stages of the budget cycle within the public sector follow a specific timing at the national as well as agency level. **Which of the following periods covers the budget planning at the agency level?**

- A August-October
- B September-November
- C August-November
- D September-December

(2 Marks)

QUESTION EIGHT

Which one of the following has the responsibility to audit revenues and expenditures of the state, local administrative entities, and government projects?

- A External audit
- B Internal audit
- C Both external and internal audit
- D Supreme audit institution

(2 Marks)

QUESTION NINE

Which of the following is not part of the core elements of the supply chain?

- A Source
- B Evaluation
- C Plan
- D Logistics

(2 Marks)

QUESTION 10

Which of the following types of tax are based on an individual's ability to pay?

- A Proportionate tax
- B Progressive taxes
- C Regressive taxes
- D Proportionate and progressive taxes

(2 Marks)

SECTION B

QUESTION 11

The Budget officer of the Ministry of Health is preparing a consolidated budget for the financial year 2021/2022. During that exercise one of its agency submitted its budget including the following items:

#	Item description	Amount in FRW
1	Laboratory equipment	300,000,000
2	Medical staff salaries	100,000,000
3	Office building	1,000,000,000
4	electricity bills	50,000,000
5	Training of medical staff	25,000,000
6	Office supplies	25,000,000

Required:

(a) Differentiate recurrent from development budgets (7 Marks)

(b) Classify the above provided items under recurrent and development budget (3 Marks)

(Total: 10 Marks)

QUESTION 12

An internal auditor based in the Ministry of Education has prepared an audit plan for the year and submitted it to the executive management for approval. During the meeting, one member of the executive management suggested to postpone internal audit activities planned in the boarding schools of Eastern Province since an external audit is planned for those schools during the year. Another member, suggested to have both audits since they are distinct.

Required:

Based on the scenario above, comment on the two arguments and explain the differences between external and internal audit. (10 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

In order to fund expenditure, governments need to generate cash. While analyzing government consolidated financial statements for the year ended 30th June 2019 in the note to the revenues the following were stated:

10% of revenues collected during the year related to charges on imported goods, 5% to charges by individuals who started business activities, 15% to charges from mining industries, 3% to charges from business companies which did not issue an EBM receipts to their customers, 2% from sale of government unused cars, 10% from the dividends declared by government business enterprises, 20% from PAYE and 15% from grants

Required:

- (a) Identify other sources of government revenue in the scenario** (6 Marks)
- (b) Discuss other sources of government revenue identified above** (14 Marks)

(Total: 20 Marks)

QUESTION 14

The government of Rwanda recognizes the importance of accountable use of public funds and in order to achieve this goal, the Ministry of Finance and Economic Planning (MINECOFIN) will need to apply the various elements of the PFM cycle.

Required:

- (a) Identify PFM cycle elements** (7 Marks)
- (b) Discuss how they may be applied to a public sector organization of your choice** (13 Marks)

(Total: 20 Marks)

QUESTION 15

Robert is an accountant in a private institution. He recently applied for the position of chief accountant in the Government Agency. During an exam he was given the minimum information to be presented to the face of the statement of financial position for the year ended 30th June 2020 and requested to provide applicable International Public Sector Accounting Standards (IPSAS).

Below is the information given:

#	Items
1	Intangible assets
2	Cash and cash equivalents
3	Inventories
4	Property, plant and equipment
5	Financial assets
6	Investment properties

Required:

(a) Identify applicable International Public Sector Accounting Standards (IPSAS) to the information given to Robert. (6 Marks)

(b) On 25th July 2021, Robert was preparing the financial statements for the year ended 30th June 2021 and he got an information that the performance bonus of employees for the financial year 2020/2021 was approved in the previous week.

Required:

What should Robert do about this information? Which International Public Sector Accounting Standards (IPSAS) should guide him on this scenario and explain why? (8 Marks)

(c) Explain the main issues particular to public sector financial reporting encountered when producing a statement of financial position (6 Marks)

(Total: 20 Marks)

End of question paper

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