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**CERTIFIED ACCOUNTING TECHNICIAN (CAT)**  
**STAGE 3 EXAMINATION**  
**S3.6 PUBLIC FINANCIAL MANAGEMENT**  
**PILOT PAPER**

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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.

**Section A – All TEN questions are compulsory and MUST be attempted**

1. Six months after year end, a company's management accountant agrees their reported year-end bank balance to their bank statement.

Which characteristic of good financial information does this activity support?

- A Verifiability
- B Timeliness
- C Comparability
- D Relevance
- E None of the above

**(2 marks)**

2. How long should a medium-term expenditure framework (MTEF) cover?

- A One month
- B One year
- C Three years
- D Ten years
- E None of the above

**(2 marks)**

3. A school has successfully applied for a grant from the Education Department. The funds may only be used in accordance with the grant conditions to employ a specialist physical-education teacher.

What concept explains this grant in budgeting?

- A Profiling
- B Appropriation
- C Virement
- D Incremental
- E None of the above

**(2 marks)**

4. Central government is considering the introduction of charging for certain public services.

Which of the following are features of an effective charging system?

- (i) Cost effectiveness of implementation
- (ii) Basis of charge is transparent
- (iii) Equitable between users
- (iv) Consistency of objectives

- A (i) and (iii) only
- B (ii) and (iv) only
- C (ii) and (iv) only
- D (i), (iii) and (iv) only
- E None of the above

**(2 marks)**

5. A developing country has received international aid to facilitate the country's economic development and welfare. The aid was received by an official government source in the developing country directly from the donor's government sources.

Which of the following types of aid has the developing country above received?

- (i) Official Development Assistance (ODA)
- (ii) Grant
- (iii) Bilateral aid
- (iv) Multilateral aid

- A (i) only
- B (ii) only
- C (i) and (iii) only
- D (i) and (iv) only
- E None of the above

**(2 marks)**

6. Which of the following are elements of the sourcing stage of procurement?

- (i) Market research
- (ii) Supplier management
- (iii) Contract management

- A (i) only
- B (iii) only
- C (ii) and (iii) only
- D (i) and (ii) only
- E None of the above

**(2 marks)**

7. Which of the following should be included in a cash budget?

- A Depreciation
- B Expenditure
- C Income
- D Receipts
- E None of the above

**(2 marks)**

8. Ronald has recently been appointed as a trainee in internal audit, but he is not clear what internal audit actually does. Which of the following areas should internal audit provide assurance on?

- (i) Risk management
- (ii) Governance
- (iii) Financial statements

- A (i) only
- B (i) and (ii) only
- C (iii) only
- D (ii) and (iii) only
- E None of the above

**(2 marks)**

9. Cissy has started work on a government project to implement an Integrated Financial Management Information System (IFMIS). However, Cissy is

concerned that the implementation process may become more complex than originally expected. What action would help mitigate this risk?

- A Phased implementation
- B Change management
- C Legal guidance
- D Staff training
- E None of the above

**(2 marks)**

10. Rose has worked as an accountant in a private sector company for many years but has recently been appointed to work for central government. Which of the following differences is Rose likely to notice in moving to the public sector?

- (i) Lower number of non-exchange transactions
- (ii) Year-end financial statements not published externally
- (iii) Government finance statistics produced

- A (i) only
- B (iii) only
- C (i) and (iii) only
- D (ii) and (iii) only
- E None of the above

**(2 marks)**

### Section B – All TWO questions are compulsory and MUST be attempted

11. The ministry of education, a department of central government, is planning to replace their office furniture, specifically desks and office chairs. This replacement is part of the ministry's non-current asset strategy which requires such assets to be replaced every 15 years. All of the ministry's office chairs and desks are due to be replaced within the next six months with the old furniture being scrapped. There are 260 members of office staff employed by the ministry of education, located at four different regional offices across the country. Each member of staff is required to have their own office chair and individual desk. The human resources department undertakes periodic health and safety checks to ensure that all the equipment that staff use meets national health and safety standards.

The ministry of education uses a central procurement facility that holds a list of approved suppliers. The majority of the ministry of education's purchases are obtained through suppliers on this approved list. At each of the ministry's four locations, there are members of the facilities team who are responsible for moving furniture, receiving deliveries and arranging for the removal of waste.

#### *Required*

Explain how the components of the supply chain would apply to the above scenario.

**Total (10 Marks)**

12. A country has an established tax regime in place but is under calls for this to be reviewed and updated.

All workers within the country are required to pay 25% of their earnings in tax, irrespective of the amount they earn and whether they work part-time or are self-employed. There are calls for this tax to be changed to where the rate paid increases in line with earnings, such as high earners paying 30% and lower earners paying 20% tax. However, the government is reluctant to change the existing tax regime.

Another tax of 15% is applied to any point in a supply chain, when value is added to any goods or services. Individuals purchasing any goods or services, other than medical or education-related, will have the 15% value added tax included in the cost of the goods or services purchased.

*Required*

Explain which tax bases and tax structures the government has adopted in the above scenario.

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**Total (10 Marks)**

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**Section C – All THREE questions are compulsory and MUST be attempted**

13. A country is currently experiencing an economic crisis, with an ongoing recession and increasingly high inflation, and the government is under pressure to take action to stabilise the economy. Of particular concern is the lack of cash that members of the public, including workers and those on social benefits, have resulting in a generalised reluctance or inability to spend which is adversely affecting the economy further.

The country has an established social benefits programme but historically it has been extremely difficult for even eligible people to be awarded benefits due to complex and stringent application and assessment processes. Employers are permitted to pay workers any wage, with no national minimum wages set. There is varied employment across the country, with some areas experiencing low unemployment while other areas have very high unemployment. Unemployment in some areas is linked to the reduction in mining, with the last mine due to close in the next six months. This will result in the loss of employment for 1,000 members of a rural, close knit community who have few, if any, skills appropriate for other industries.

Over recent years, there has been a significant rise of unhealthy eating, particularly sugary foods. This is thought to be partly linked to the low cost of sugary snacks and financial pressures many members of the public are under. The resulting increase in obesity and associated health problems has reached the point where the government has decided they must act.

*Required*

- (a) Explain the measures that the government could adopt to help stabilise the economy. **(6 marks)**

- (b) Discuss the market failures apparent in the above scenario and suggest methods the government could adopt to address them. **(14 marks)**

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**Total (20 Marks)**

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14. A government department has prepared its annual revenue budget on an incremental basis for many years, but is now exploring whether alternative methods may be more appropriate. The government has strong taxation and social benefit regimes in place, including income tax payable on earnings and benefits paid for those looking for employment. Unemployment has increased to the highest level in a decade. The country is currently experiencing inflation at 16%, which is higher than expected.

Services provided by the government department are typical for the public sector, with many being statutory and qualitative objectives being set, such as public satisfaction. The majority of staff within the government department have worked there for many years, with little experience outside the department. The department tends to be rather cautious and takes its time over matters. The current information system has been in place for many years and is rather simplistic but meets current requirements.

Central government tends to have a hands-off approach, leaving the department to run itself.

*Required*

- (a) Identify and explain the influences or constraints that have adversely affected the budgeted funds available for the forthcoming year. **(4 marks)**
- (b) Discuss the advantages and disadvantages of the government department adopting zero-based budgeting. **(8 marks)**
- (c) Explain how the government department could apply performance-based budgeting. **(8 marks)**

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**Total (20 marks)**

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15. The Supreme Audit Institution in Rwanda is preparing for a forthcoming audit of the government's consolidated financial statements, comprising central and local government entities. The audit will include visits to individual public sector entities to audit their separate financial statements as well as the government's consolidated financial statements. The government entities expect their policies and procedures to be reviewed, as well as an assessment of whether their expenditure is within the law. At the end of the audit, the government expects to be provided with an opinion on their adherence to relevant laws, regulations and procedures, as well as a view on the information included within the consolidated financial statements.

*Required*

- (a) Identify and explain the different types of external audit that may be applied to the above scenario. **(4 marks)**

- (b) Explain how Rwanda's Supreme Audit Institution should ensure independence for the above audit. **(4 marks)**
- (c) Identify and explain relevant standards with which Rwanda's Supreme Audit Institution should comply. **(12 marks)**

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**Total (20 marks)**

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**Total (100 marks)**

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**End of question paper**