
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATION
S3.6 PUBLIC FINANCIAL MANAGEMENT
FRIDAY: 04 DECEMBER 2020

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. In Rwanda, who approves the budget framework paper?

- A Cabinet
- B Parliament
- C Ministry of Finance and Economic Planning
- D Chamber of Duties
- E None of the above

(2 marks)

2. One of the key roles of financial statements in the public sector is as a means of demonstrating accountability. Which of the following statements is/are true?

- (i) Accountability is the expectation to justify actions and decisions.
- (ii) Managerial accountability refers to managers being held accountable for the responsibilities that have been delegated to them.
- (iii) Political accountability relates to governments who are accountable to the electorate for the authority that has been granted to them.

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

(2 marks)

3. Public sector entities must work with their external auditors during the annual statutory audit of their financial statements. Which of the following would be expected as part of this joint working arrangement?

- (i) External auditors request amendments to financial statements
- (ii) Public sector entity makes requested amendments to financial statements
- (iii) External auditors recommend improvements to existing controls

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

(2 marks)

4. Procurement contracts in Rwanda are categorised by the pricing method. Which of the following statements is/are true?

- (i) Lump-sum price contracts are used for tenders where the duration and provision are easy to define.
- (ii) Time based price contracts are used for tenders where the duration and provisions are difficult to define.

(iii) A combination contract is used for tenders where execution does not exceed a duration of nine months awarded on a fixed price basis.

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

(2 marks)

5. In Rwanda, which of the following is responsible for managing fiscal policy?

- A Parliament
- B Macroeconomic Policy Unit
- C National Bank of Rwanda
- D Monetary Policy Committee
- E None of the above

(2 marks)

6. A government is planning to increase taxes payable by manufacturing companies. What will happen as a direct result of these taxes?

- A Demand decrease
- B Demand increase
- C Supply increase
- D Supply decrease
- E None of the above

(2 marks)

7. Which of the following are potential benefits of a government introducing sustainable procurement?

- (i) Improved efficiency and effective use of natural resources
- (ii) Reduction in the harmful impact of pollution and waste
- (iii) Long-term efficiency savings

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

(2 marks)

8. Charles runs a shop in Rwanda that sells fruit juices. The shop is value added tax (VAT) registered and has an annual turnover of approximately RWF 180 million. What will Charles' trading licence fee be for this shop?

- A Zero
- B RWF 250,000
- C RWF 60,000
- D 5% of turnover
- E None of the above

(2 marks)

9. Internal and external auditors have different roles. Which of the following statements is/are true?
- (i) Internal auditors are employed by the organisation being audited
 - (ii) External auditors are based at a single public sector entity
 - (iii) Internal auditors carry out audits on a range of systems throughout the year
- A (i) only
 - B (ii) only
 - C (i) and (iii) only
 - D (ii) and (iii) only
 - E None of the above

(2 marks)

-
10. Rene, a leisure centre manager, would like to move RWF 3 million from the parks budget heading to the indoor activities budget heading during the 2019/2020 budget year. The head of leisure services has approved this move of funds. What term describes this budgetary control measure?
- A Virement
 - B Profiling
 - C Recurrent
 - D Appropriation
 - E None of the above

(2 marks)

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

11. A government is planning to implement an Integrated Financial Management Information System (IFMIS) across the public sector, including ministries, departments, agencies, as well as regional and local governments. The Government plans to ensure that the IFMIS is fully integrated across the public sector and to utilise a full range of possible modules to maximise functionality.

Required

Explain how an Integrated Financial Management Information System (IFMIS) could be used by the government in the above scenario in relation to the accounting elements of financial reporting, budgeting, cash management, procurement and auditing.

Total (10 marks)

-
12. A government has put in place a five-year strategy, developed by policy planners, setting out plans for the public sector. The country's legislature consists of a single house of parliament, the chamber, which is responsible for discussing and approving government's plans and proposed laws. The country's executive comprises the president, prime minister and cabinet, with the cabinet made up of the ministers from each central government departments as well as the prime minister.

The public sector is divided into departments by sectors, such as education and health, with each department headed up by a minister but run on a day-to-day basis by service managers. The ministry of finance comprises finance professionals who set the government's annual budget for the whole of the public sector, with the budget then devolved to the departments. The ministry of finance is also responsible for ongoing budget monitoring.

External auditors provide an independent review of all finance processes.

Required

Explain how the budget cycle should be applied to the above scenario, including who is involved at each stage.

Total (10 marks)

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

13. A new government has recently been elected and plans to undertake a review to assess the suitability of existing taxes, having been critical of the appropriateness of taxes whilst in opposition. Currently, workers are charged 30% on earnings, value added tax is charged at 20% on all purchases and companies are charged 25% tax on profits.

Taxes form a large proportion of the government's revenue, but there has been a culture amongst companies, organisations and individuals within the country that taxes do not have to be paid, resulting in tax evasion and avoidance being high. The previous government tended to ignore this. There is high use of tax specialists to take advantage of loopholes in the tax law.

Required

- (a) Discuss how the new government could assess the suitability of the existing taxes and identify whether these taxes demonstrate a progressive, regressive or proportionate structure. **(15 marks)**
- (b) Identify and explain measures that the new government could implement to reduce tax avoidance and evasion. **(5 marks)**

Total (20 marks)

14. A country's public sector has been utilising a cash accounting basis for financial reporting but is now looking to move to reporting on an accruals basis. The country's public sector adopts International Public Sector Accounting Standards (IPSAS) and plans to continue to do so during and after the move to accruals accounting.

Required

- (a) Explain the changes that the public sector organisations would have to make in their financial reporting due to moving from a cash to accruals basis. **(8 marks)**
- (b) Identify and discuss issues that the public sector organisations may experience in producing financial statements on an accruals basis in accordance with relevant IPSAS.

(12 marks)

Total (20 marks)

15. The government's central treasury department has recently had an audit which has reported some weaknesses, including over reliance on cash transactions, and lack of cash flow forecasting and monitoring. The head of the treasury department has been in post for many years and is reluctant for any changes to be made to the current processes.

Required

- (a) Identify the risks of the treasury department currently relying on cash and recommend the related internal controls that the department should have in place. **(8 marks)**
- (b) Explain the cash flow forecasting and monitoring processes the Treasury Department should have in place, identifying why such processes are important. **(12 marks)**

Total (20 marks)

Total (100 marks)

End of question paper