
CERTIFIED ACCOUNTING TECHNICIAN (CAT)

STAGE 3 EXAMINATION

S3.6 PUBLIC FINANCIAL MANAGEMENT

DATE: WEDNESDAY, 01 DECEMBER 2021

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

There are several arguments that justify government intervention in economies. **The following are included in these reasons with exception of:**

- A Market Failure
- B Redistribution
- C Political ideology
- D Monetary Policy

(2 Marks)

QUESTION TWO

Choose the most accurate statement among the following in relation to Public Financial Management (PFM) cycle:

- A In Rwanda, the government's national budget runs from 30 June to 1 July
- B In Rwanda, budgets should be approved by the legislature, which should be able to effectively scrutinize government plans
- C In Rwanda, annual financial reports should be subject to dependent external audit and scrutiny
- D There should be no predictability but control in the budget execution

(2 Marks)

QUESTION THREE

Taxes are the main sources of government revenue. Taxpayers will often try to reduce the amount of tax they pay either legally or illegally. **The attempt of taxpayers to illegally reduce the amount of tax payable is known as:**

- A Tax evasion
- B Tax avoidance
- C Tax escape
- D Illegal tax

(2 Marks)

QUESTION FOUR

E- Procurement has become an increasingly common alternative to traditional procurement in Rwanda offering many benefits to the procurement process. **The Rwanda online E-procurement System is commonly referred to as:**

- i) Irembo
- ii) Umucyo
- iii) E-Bidding
- iv) E-catalog

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

(2 Marks)

QUESTION FIVE

In public financial management, the three fundamental aspects to treasury management include:

- i) The financing of operations in a way that minimizes funding costs and matches cash flow needs
- ii) The management of working capital
- iii) The management of financial risks to which cash flows are exposed

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

(2 Marks)

QUESTION SIX

In their mandate to ensure Public accountability, the role of the Office of Auditor General is:

- A To ensure that financial statements are produced
- B To prepare annual budget framework paper and draft financial law
- C To review financial statements and provide independent opinion
- D To plan expenditure allocations to programs and sub-programs

(2 Marks)

QUESTION SEVEN

All the following are types of external audit that can be performed by the Office of Auditor General except:

- A Compliance
- B Performance
- C Financial
- D Materiality

(2 Marks)

QUESTION EIGHT

The Government of Rwanda adopted the use of IFMIS as an information management tool. The benefits of using IFMIS include:

- i) Enabling government reform and improving efficiency and controls
- ii) Improving confidence through transparency
- iii) Reducing employee turnover

- A (i) only
- B (i) & (ii) only
- C (i), (ii) & (iii)
- D (ii) & (iii) only

(2 Marks)

QUESTION NINE

A government that follows full IPSAS accrual must present a statement of financial position that complies with IPSAS for the line items presented. The IPSAS that guide the presentation of property, plant and Equipment is:

- A IPSAS 16
- B IPSAS 1
- C IPSAS 19
- D None of the above

(2 Marks)

QUESTION 10

The IPSASB took eight years to develop the conceptual framework. The project resulted into eight elements /chapters of the conceptual framework which include the following except:

- A Objectives and users of general-purpose financial statements
- B Qualitative characteristics
- C Reporting entity
- D Disclosure

(2 Marks)

SECTION B

QUESTION 11

Mr Ndezi criticized the annual government budget prepared advancing the reason that an annual budget is short sighted, he was provided with long-term government programs that cover several years and he also found them to have a long-term perspective such that there is another tool necessary to link the budget to such long-term program.

Required:

- a) As an accounting technician who understands the budgeting process in Rwanda, **identify for Mr. Ndezi, a tool used in the planning and budget process that can serve as a link between annual budget and long-term government programs and briefly explain how the tool works.** (4 Marks)
- b) **Explain the objectives of the tool identified in (a) above** (6 Marks)
-
- (Total: 10 Marks)**

QUESTION 12

One of the important Public Financial Management (PFM) reforms that the government of Rwanda has put in place is the use of Integrated Financial Management Information System (IFMIS). The implementation of IFMIS came with a lot of benefits but it also presents certain risks which include but not limited to lack of capacity, weak commitment to change and technical challenges.

Required:

Explain any Five (5) internal controls that can be put in place to minimize these risks associated with the use of IFMIS

(10 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

Budget process does not stop once the budget has been approved. Actual results should be compared on a regular basis with the budget results. The frequency with which such comparison is made depends very much on organizational circumstances and the sophistication of its control systems. This process of comparing budget and actual is known as budget monitoring. While preparing budgeting monitoring reports two key features of budget control systems surface and those are virements and profiling.

- a) In relation to budget monitoring, differentiate virements from profiling and give an example for each** (6 Marks)
- b) Your line manager has given you the following monitoring report showing over/underspent for the three months for July to September 2020 in relation to the relevant expenditure:**

	Original Budget for the year ending 30 June 2021 (FRW M)	Original Budget for the quarter from July to September 2020 (FRW M)	Actual expenditure for the quarter from July to September 2020 (FRW M)	Variance (FRW M)
Events Management	240	60	120	60
Repairs and maintenance	160	40	80	40
Salary and wages	800	200	400	200

You have also been given the following information:

1. The budget for event management for the year ended 30 June 2021 is FRW 240 million. The entity expected to have only two events during the fiscal year of equal budget with one taking place in the first quarter ending 30 September 2020 and the second in the last quarter ending 30 June 2021
2. The annual budget for repairs and maintenance is FRW 160 million and is payable in four equal installments in July, September, December, and May.
3. The salary and wages budget for the year was budgeted at FRW 800 million and FRW 600 million should be apportioned equally to all months of the year while FRW 200 is salary for casual workers who would all be used in the first quarter ending 30 September 2020

Required:

Prepare a revised budget monitoring report for your line manager and provide explanation of any changes made (if any) for each line item (9 Marks)

- c) CAPAB College is a government agency that trains public servants. In the year ended 30 June 2020 it had trained 8,000 employees spending FRW 144 million of which 44 million are assumed to be fixed while the remaining part of the budget is variable.

If all costs will be 10% more than the average costs of the year ended 30 June 2020. Assuming further that the level of efficiency will remain the same while the number of trainees will be 2,500 employees for the first quarter; estimate the training budget for the first quarter ending 30 September 2020 using incremental budgeting approach.

(5 Marks)

(Total: 10 Marks)

QUESTION 14

- a) In Rwanda contracts form the basis of all types of procurement and can range from being very simple to being extremely complex. The contract may be a simple order form, or an email and it still serves as a contract. However, the procurement of some goods or services in public sector may be for a long-term period and thus require some complex details.

Assuming that recently you have qualified as a CAT, and you have been recruited to join a public sector organization. You have now been approached by the management to advise on what contents should be put in the contract with the current supplier of IT equipment to the organization.

Required:

Highlight 10 contents that you would advise the management to include in the contract as per Rwanda Public Procurement Authority (RPPA) guidelines. (10 Marks)

- b) Internal controls in public organizations ensure that best practice procedures are followed in the public procurement. You have been given the following scenario in relation to internal controls that relate to public procurement procedures to analyze:

You have been employed by a public university and currently the university needs printing services. The university has put out a tender for printing services. The university is about to start the end of term examinations and the printing services are highly demanded during this period and so they required in their tender interested parties to submit their bids with immediate effect.

You realize that one day after advertising the tender, two bids have arrived. The director of examination services being impatient to find the supplier for printing services, he went ahead and accessed the two bids which he opened to find the best bidder. He realized that one of the two bidders had a lower price and went ahead to award the contract.

As CAT finalist, identify the weaknesses in the internal control that were in the above procurement process and advise how best the procurement process could be improved.

(10 Marks)

(Total: 20 Marks)

QUESTION 15

Public sector entities may adopt the use of cash or accrual basis. In Rwanda, as per the current Public Financial Management (PFM) manual, except for subsidiary entities affiliated to decentralized entities, public entities are required to maintain their books on a modified accrual basis of accounting.

- a) As per the current PFM manual explain how the modified cash basis (previously used) differ from modified accrual basis (currently used)** (5 Marks)
- b) List Five (5) examples of exceptional items that will remain reported on cash basis under the current modified accrual basis** (5 Marks)
- c) A Rwandan public entity has acquired an item of property, plant, and equipment on 1 May 2020 at a cost of FRW 10,000,000 paying a half on the same date while the other half was paid later in July 2020.**

Required:

Explain how this transaction will be reported for the year ended 30 June 2020 under (i) cash basis and under (ii) full accrual basis.

(10 Marks)

(Total: 20 Marks)

End of question paper