
**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6 PUBLIC FINANCIAL MANAGEMENT
DATE: FRIDAY, 30 APRIL 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.

SECTION A

- 1 Visitors and patients at a hospital may make cash donations to the hospital's central cashier for the hospital's fundraising project. The cashier provides the donor with a receipt for the donation, with a copy kept for the hospital's records. At the end of each day, the hospital's finance assistant checks the receipts to the cash held and then deposits the cash at the bank.

Which internal control(s) is/are described above?

- (i) Authorisation
- (ii) Arithmetic
- (iii) Physical
- (iv) Segregation of duties

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

(2 Marks)

- 2 A government classifies its expenditure by function. Within which function should the government classify expenditure on prisons?

- A Public order and safety
- B Economic affairs
- C General public services
- D Health
- E None of the above

(2 Marks)

- 3 Which of the following items should a government department include in their development budget?

- A Purchase of new office building
- B Fuel costs of vehicles
- C Salaries for department employees
- D Stationery and printing costs
- E None of the above

(2 Marks)

- 4 Claude and Rose both work in the government's central treasury management department. They are discussing how payments would be made if the government implemented a treasury single account (TSA). Which of the following statement(s) is/are true?
- (i) Individual public sector entities could request all payments through the central treasury department.
 - (ii) Payments below a certain limit could be made by individual public sector entities using the TSA.
 - (iii) Individual public sector entities could have their own TSA subaccounts.
- A (i) only
B (iii) only
C (i) and (ii) only
D (ii) and (iii) only
E None of the above **(2 Marks)**
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- 5 Which of the following is a characteristic of public sector entities compared to organisations in the private sector?
- A Overriding aim is to generate profit
B Hold assets to generate future cash flows
C Have multiple objectives
D Participate in very few non-exchange transactions
E None of the above **(2 Marks)**
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- 6 Cissy has recently joined the government's treasury department as a trainee but is unclear on what the department actually does. Which of the following are roles of the treasury function?
- (i) Invest surplus funds
 - (ii) Ensure government's minimum liquidity requirements are met
 - (iii) Invest within government's rules and regulations
- A (i) and (ii) only
B (i), (ii) and (iii)
C (ii) only
D (i) and (iii) only
E None of the above **(2 Marks)**
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- 7 What term describes a transaction in which the donor country retains formal title to repayment but has expressed its intention in the commitment to hold the proceeds of repayment in the borrowing country for the benefit of that country?

A Official Development Assistance
B Grant like flows
C Multilateral aid
D Bilateral aid
E None of the above

(2 Marks)

- 8 James, the Minister of Finance, is interested in establishing an Integrated Financial Management Information System (IFMIS) for the Ministry of Finance, but is uncertain whether it could be extended more broadly across the country's public sector.

What parts of the public sector could the IFMIS cover?

A Ministry only
B Ministry, government departments and agencies only
C Ministry and government departments only
D Ministry, government departments, agencies, local and regional government
E None of the above

(2 Marks)

- 9 Olive is an accountancy trainee trying to learn the different International Public Sector Accounting Standards (IPSAS) that cover the preparation of financial statements by public sector bodies.

Which IPSAS covers depreciation and revaluation of tangible non-current assets?

A IPSAS 3
B IPSAS 12
C IPSAS 17
D IPSAS 31
E None of the above

(2 Marks)

- 10 During last year's external audit of the government's financial statements, the accountancy team spent a lot of time every day answering audit queries and providing additional documentation to support key figures in the financial statements.

Which of the following would be appropriate to improve the working relationship between the government's accountancy team and the external auditors?

- (i) Agree set times to answer audit queries
- (ii) Prepare a file of working papers for the external auditors in advance of the audit
- (iii) Provide external auditors full access to all financial systems

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

(2 Marks)

SECTION B

- 11 A college offers short courses to members of the public. Central government provides funds to the college to enable reduced course fees to be charged. The cash received for the course fees and government supplements are both received one month after the courses start. Forecasted course fees and supplements are:

Month course starts	Course fees Frw m	Government supplement Frw m
November	140	28
December	126	25
January	118	17
February	89	23
March	102	24

Running costs for the courses have been calculated to be Frw120m per month. The college finance team prepare quarterly cash budgets to monitor cash balances and make necessary borrowing or investment decisions. The cash balance at the end of December is expected to be Frw 28m.

Required:

Complete the cash budget for January, February and March, commenting on the resulting cash balance.

Total (10 Marks)

- 12 The pharmacy department in a government hospital is preparing for an internal audit, which is due to focus specifically on the department's inventory management.

At the end of last month, external auditors attended to witness the pharmacy staff complete their annual year-end inventory take, where all pharmacy items held were counted and agreed to records.

Staff members in the pharmacy department are confused as to why they are experiencing two similar audits so close together.

Required:

Explain the purpose of the pharmacy department's forthcoming internal audit, identifying the differences to the previous external audit.

Total (10 Marks)

SECTION C

- 13 A large school manages its own finances and procurement. It is recognised by the school that many of their procurement procedures are out-of-date, laborious and paper based. The finance team, who undertake all procurement for the school, are keen to establish an approved list of suppliers to be the first point of call for purchases, and with which they can build a close relationship for the procurement process. The school's strategy incorporates ambitions to embrace sustainability and they are, therefore, keen to consider how this may be incorporated into their procurement practices.

The school comprises a canteen that sells snacks, drinks and lunches to pupils and staff. Many of the snacks and drinks sold are in single use packaging, with bottled water a particularly popular product sold in the canteen. Currently, the canteen accepts cash only at the time of purchase, so all pupils must attend school with money for their requirements each day.

Within the school, there are excellent facilities including a newly built computer suite. This is extremely well used by the pupils and enables them to use the computers and printers for school work and personal use. A member of staff is always on duty in the computer suite and there is a trusting, informal arrangement whereby pupils pay the member of staff for each page printed.

Required:

- (a) **Identify three types of e-procurement that could be adopted by the school and explain how these approaches could enhance value for money.**

(12 Marks)

- (b) **Identify and explain how the school could introduce procurement that is sustainable.**

(8 Marks)

Total (20 Marks)

- 14 A recent election has resulted in a new government being formed. The new government campaigned based on commitments to increase expenditure on public services and promises to help struggling young working families. These commitments have resulted in the need to explore additional ways of raising revenue. The country includes a high elderly population who tend to be wealthy, with the working population less well off financially.

The new government has stated that they will improve swift access to dental care, which is currently under huge pressure, through a controversial charging system. All public services have historically been free to all users.

Required:

- (a) **Discuss the advantages and disadvantages of the new government introducing charges for dental care.**

(8 Marks)

- (b) **Identify and discuss sources of income or taxes the government could try to enhance.**

(12 Marks)

Total (20 Marks)

- 15 The ministry of defence is implementing a new procurement system as part of its strategy to improve public financial management. It is planned to start the procurement system from scratch, including suppliers and documentation. Procurement will be required for some simple, routine items such as stationery, but also larger items, including more complex specialist defence equipment. It is envisaged to keep low value routine procurement as simple as possible, but it is recognised that the larger more complex items will need to be put out to tender.

It is essential to the country that appropriate defence equipment is held. The ministry of defence has a detailed document outlining the extensive range of defence equipment that must be held, including minimum requirements that must be met and replacement timescales. The ministry of defence has recently recruited 1,000 new military personnel who will start training at the military training school and will need essential equipment. Large military equipment, such as vehicles, are usually stored at one of four military sites across the country.

Required:

- (a) **Identify and apply the stages of procurement sourcing and supply chain components to the above scenario.** (15 Marks)
- (b) **Explain how procurement fits in with public financial management.**

(5 Marks)

Total (20 Marks)