



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.6: PUBLIC FINANCIAL MANAGEMENT
DATE: WEDNESDAY 28, MAY 2025
MARKING GUIDE AND MODEL ANSWERS**

SECTION A

Marking guide

Question	Correct Answer	Marks
Question 1	C	2
Question 2	C	2
Question 3	B	2
Question 4	A	2
Question 5	D	2
Question 6	A	2
Question 7	D	2
Question 8	C	2
Question 9	A	2
Question 10	B	2
Total Marks		20

Section A-Marks allocation

Marks for each correct answer

2 Marks

Total marks for this section

20 Marks

Model answers

QUESTION ONE

The correct answer is C. This is because police service and prison, public health and recreational sporting services are not under defense and education respectively.

A is not correct because there is no (v)

B is not correct because no i), ii) & iii) match their functions

D is not correct because there is no (i)

QUESTION TWO

The correct answer is C. This is because market failures are one of the arguments that justify government intervention in economies. Market failure means that the operations of the market distort economic outcomes and therefore, some measure of government intervention is required to improve efficiency.

A is not correct because a strong local currency against the dollar is an indication of a well performing economy.

B is not correct because an efficient market is an indication of a well performing economy.

D is not correct because one of the above is correct.

QUESTION THREE

The correct answer is B. This is because a good taxation system should be the one in which taxpayers are able to predict what could be required for them to pay based on prevailing circumstances, it should be easy to administer in terms of collection and at the minimum cost possible.

A is not correct because a good taxation system should not favor neither should it be used to punish taxpayers.

C is not correct because a good taxation system should not be complex and discriminating. It should be easy to understand.

D is not correct because a good taxation system should aim at sustainability and also not rigid.

QUESTION FOUR

The correct answer is A. This is because both taxes are not considered a way of achieving equitable distribution of tax burden as in progressive tax those with high incomes are taxed at a higher rate as compared to those with low incomes.

B is not correct because both taxes are classified as types of taxes by structure/mix.

C is not correct because the one objective of progressive tax is to ensure income is equitably distributed by taxing high those with high incomes.

D is not correct because one objective of proportionate tax is to ensure that irrespective of individual's, the same tax rate applies.

QUESTION FIVE

The correct answer is D. This is because monopoly power means one player having control over the market in setting prices, determining the output, and suppressing other competitors. Therefore, the prices will be affected as price mechanisms are in the hands of only one player. Output will also be affected as well because a monopoly power determines what quantity to produce or generate. There will be unhealthy competition because a monopoly power has all the tactics to scare away new entries into the market.

A is not correct because it describes Information Asymmetries.

B is not correct because it describes Externalities

C is not correct because it describes Factor Immobility

QUESTION SIX

The correct answer is A. This is because merit goods for example public parks, basic healthcare, education are not provided with intention for economic benefits but because there is worthiness in /merit in providing them to the public.

B is not correct because in externalities, cost is born on members of society out of the transactions of the company as the company is adamant on taking measures to bear the costs.

C is not correct because market power kills healthy competition in the market.

D is not correct because there is no equal distribution of resources when factors of production are immobile.

QUESTION SEVEN

The correct answer is D. This is because adequacy is about sufficiency of revenue to meet expenditure needs and not conveniency in terms of payment and compliance.

A is not correct because tax-payers should be in a position to know what they owe and what they need to remit at any given time.

B is not correct because a good taxation system is one which do not limit individual's decisions on investments and consumption.

C is not correct because a good taxation system should be designed to have a positive impact on the cost of administration. It should bear the minimum cost possible.

QUESTION EIGHT

The correct answer is C. This is because the work of approving government agencies budget in Rwanda is the legislature.

A is not correct because it is among Macroeconomic Policy Unit functions

B is not correct because it is among Macroeconomic Policy Unit functions

D is not correct because it is among Macroeconomic Policy Unit functions

QUESTION NINE

The correct answer is A. This because social welfare program is not a monetary and fiscal policy program. Monetary and fiscal policies align to revenue collection and expenditure, currency performance monitoring and intercountry trade.

B is not correct because through monetary and fiscal policies the Central bank of Rwanda in conjunction with MINECOFIN monitors currencies performance and using reserves to control the same.

C is not correct because monetary and fiscal policies are used to adjust both deficit and surplus budgets.

D is not correct because the policies are used to control money supply in the economy.

QUESTION TEN

The correct answer is B. This is because government of Rwanda do not spend on audit of financial institutions not fully or partially owned by the government itself, it neither spend on private development and it does not fund budgets belonging to private entities.

A is not correct because governments spend on agriculture and research, water supply under different agencies, manufacturing and construction of roads, stadiums, and houses under housing development programs.

C is not correct because governments allocate its revenues on labour affairs, transport, housing development and diverse cultural development.

D is not correct because governments have programs on unemployment control, care of those living with disabilities, protection of children and telecommunication as well.

SECTION B

QUESTION 11

Marking guide

Award 1 mark for cash collection figure	1
Award 1 mark for fines and penalty figure	1
Award 1 mark for supplies	1
Award 1 mark for salaries	1
Award 1 mark for wages	1
Award 1 mark for administration expense	1
Award 1 mark for repairs and maintenance	1
Award 1 mark for other cash payments	1
Award 1 mark for closing balance	1
Award 1 mark for net cashflow	1
Total	10

Model Answer

CASHFLOW FOR THE MONTH OF JANUARY 2022	
Items	FRW Million
<u>Cash receipts</u>	
Collection	57.5
Fines and penalties	38
Total receipts	95.5
<u>Cash payments</u>	
Supplies (W1)	(15)
salaries (W2)	(30.9)
Wages (W3)	(15.656)
Administrative expenses	(18)
Repairs and maintenance	(10)
Other cash payments	(3.8)
Total cash payment	(93.356)
Net cashflow	2.144
Opening balance (b/f)	0.7
Closing balance (c/d)	2.844

Workings:	FRW Million
<u>(W1) Supplies</u>	
Total payables	20.5
Payable in arrears	5.5
Amount payable	15

Workings:	FRW Million
<u>(W2) Salaries</u>	
Last period amount	30
Expected Increase	3% =0.9
Salary payable	30.9
<u>(W2) Wages</u>	
Last period	15.2
Expected Increase	3% =0.456
Salay payable	15.656

QUESTION 12

Marking guide

Award 2 marks for correctly stated and explained 5 points

10 Marks

Total marks

10 Marks

NB: Award any logical idea that is not in the marking scheme but relevant.

Model Answers:

The role of Public Sector Financial Statements in ensuring transparency and accountability for public sector activities:

- Transparency: Refers to clear comprehensive presentation of all relevant financial information about an entity. Accountability on the other hand refers to being answerable and responsible for financial actions taken.
- Disclosure of financial performance: It discloses the financial performance of government entities over a specific period of time in terms of revenue, expenditure, and net financial results
- Clear presentation of financial position: Provides a snapshot of government financial position including assets, liabilities, and equity.
- Compliance with accounting standards: It adhere to the accounting standards and principles ensuring consistency and comparability.

SECTION C

QUESTION 13

Marking guide

	Marks
a). Correct explanation of a budget, and budget cycle	2
Award 2 Marks each for well explained 4stages	8
b). Award 6 Marks for profiled budget and 4 marks for each well detailed explanation of changes over concerned item (Capacity development and Entertainment and Meals)	10
Total	20

NB: Award any valid explanation that is not in the marking scheme but relevant.

Model Answers

Budget cycle and the processes in each and every stage:

- Formulation of the budget: Budgets are formulated based on a clear overall strategy and to support the implementation of policies to achieve public service goals. Annual budgets are aligned with medium-term plans, and there is effective participation by stakeholders in process.
- Approval of the budget: The budget is subject to approval by the legislature, which is able to effectively scrutinize government plans. Adjustments may be made based on executive feedback.
- Execution or implementation of the budget: There is predictability and control in budget execution. Standard procedures and processes are followed, and there is ongoing monitoring in place to enable the effective application of controls. Once approved, funds are allocated to different sectors and departments. Allotment specifies the amount of money each entity can spend.
- Monitoring and control of budget: Ongoing monitoring is done to ensure the expenditure align with budget allocations.
- Evaluation of the budget: Annual financial reports are produced, and these are subject to independent external audit and scrutiny. They are used to assist in the formulation of future budgets. The effectiveness of budget programs is assessed to determine if they achieved their intended outcome
- Feedback on the budget: The lessons learned from the evaluation process inform future budgets cycles helping to refine priorities and improve budget formulation.

b) A revised budget for a functional manager

	Profiled Budget for the July to September 2021(FRW M)	Actual expenditure for the July to September 2021 (FRW M)	Variance (FRW M)
Capacity development	170	170	0
Entertainment and meals	140	140	0

Explanation for the changes made:

- **Capacity development:** We realize that the budget for capacity development related to two concurring events of which one happened in the first quarter ended September 2021. Since the total budget is FRW 340 million, allocation should be made equally on two events i.e., FRW 170 million per event.
- **Entertainment and meals:** The original budget for the first quarter had split the entertainment and transport over the four quarters, producing FRW 70 million per each quarter. This did not consider the possibility of changes in number of employees i.e., in July, September, December and April. Taking the installments into account will mean that two installments of FRW 70 million each are made in in the first quarter ending 30 September 2021 and so the revised budget becomes FRW 140 million, and actual expenditure is also FRW 140 million leaving a variance of zero instead FRW 70 million

QUESTION 14

Marking guide

- a) Award 1 mark for every explained stage of the procurement process (maximum 10 stage) 10 Marks
 - b) Award 2 marks for a definition of sustainable procurement and 1 mark for each its key elements, maximum of 3 key elements 5 Marks
 - c) Award 1 mark for a well discussed benefit of adopting sustainable procurement in the public sector, maximum of 5 benefits 5 Marks
- (Total: 20 Marks)**

Model answers

- a) Stages of the procurement process as proposed by the United Nations (2012) are the following:
 - Operational procurement planning: this is where the entity identifies needs for goods, services or works, assess procurement options, schedules and budgets for procurement activities
 - Requirement definition: This is where the entity clearly defines the specifications and quantity of goods or services needed and describes the expected outcomes or performance criteria
 - Sourcing: the stage in the procurement process that identifies existing suitable products or services on the market and suppliers available to provide the required products or services.

- Selection of procurement strategy: decide on the procurement method, determine evaluation criteria and set timelines, define roles and responsibilities within the procurement team
 - Preparation and issuance of solicitation documents: advertising or issuing invitations to bid, ensuring fair access to procurement information for all potential suppliers and clarifying bidding procedures and submission requirements
 - Receipt and opening of offers: receives bids from interested suppliers and ensures proper documentation, opens the bids at a designated time, usually in a transparent manner
 - Evaluation: comparing the documents submitted from different bidders against the pre-established criteria
 - Contract review and award: award the contract to the most responsive and responsible bidder
 - Contract finalization and issuance
 - Contract management: monitoring the performance of the supplier to ensure compliance
- b) **Sustainable procurement:** the process of making purchasing decisions that meet an organization's needs for goods and services in a way that benefits not only the organization but society as a whole, while minimizing its impact on the environment

Elements of sustainable procurement are the following:

- Social
- Economic
- Environmental

c) **Benefits of adopting sustainable procurement in the public sector are the following:**

- Long-term efficiency savings
- More efficient and effective use of natural resources
- Reducing the harmful impact of pollution and waste
- Reducing the impact of hazardous substances on human health and the environment
- Encouraging innovation
- Providing strong signals to the sustainable products market
- Practical expression of organizations' commitment to sustainable development

QUESTION 15

Marking guide

- a) Award 2 marks for a well explained point, a maximum of 6 points 12 Marks
- b) Award 2 marks for a well explained point, a maximum of 4 points 8 Marks
- (Total: 20 Marks)**

NB: Award any logical idea that is not in the marking scheme but relevant.

Model Answers

a) The scope of the work of the internal audit department:

- Financial Auditing: Internal audit examines financial transactions to ensure compliance with budgetary allocation, policies, applicable laws, and regulations.
- Compliance Auditing: It assesses whether government entities comply with relevant laws, regulations, and policies.
- Operational Auditing: It assesses the efficiency and effectiveness of government programs, projects, and services to identify areas of improvement.
- Risk Management: Identifying and assessing risks associated with government operations, programs, and projects.
- Governance and Internal Control: Reviewing the governance structures and providing assurance on the effectiveness of governance processes.
- Follow-Up Audits: Following up on audit recommendations to ensure that corrective actions have been taken and are effective.
- Reporting and Communication: Preparing comprehensive audit reports highlighting findings, recommendations, and management responses.

a) Difference between external and Internal audit in public sectors and how they integrate:

- Internal auditors are employees of the organization, and they report to management or board of directors while external auditors are independent professionals or firms hired from outside the organization. They report to the stakeholders or government.
- The primary purpose of internal audit is to assist the management in achieving its objectives by evaluating and improving the effectiveness of management while external audit's main purpose is to provide an independent and objective opinion on the accuracy and fairness of the financial statements of the entities.
- Internal audit covers various aspects of the organization including internal controls, risk management and operational efficiency while external audit are bound to statutory and regulatory requirements limiting the scope of their work to financial reporting matters.
- Internal audit is continuous exercise throughout the year while external audit is conducted annually following the completion of the organization's financial reporting period.
- Sharing audit plans: Internal auditors can share their plans with external auditors. This helps external auditors understand the areas internal audit is focusing on.
- Communication and coordination: Both internal auditors and external auditors can arrange and share information regarding the scope of audit assignment and relevant information for the assignment.
- Sharing information and working papers: External auditors can access internal auditors working papers to assess areas that need more prioritization in terms of risk assessment.
- Collaboration in special investigations: In case of fraud, irregularities, both internal and external audit can collaborate on investigations.

End of Marking guide and Model answers