



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBF 2305

COURSE TITLE: FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

DATE: 15TH DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

Instructions

Answer Question one and any other two

HBF 2305: FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

QUESTION ONE

One of the principle differences between non-profit and commercial organisations is that they have different reasons for their existence. Consequently, non-profit making organisations follow some accounting principles which differ from accounting principles followed by commercial organisations.

Required

- a) Explain such principles followed by non-profit making organisations and why you think they are more appropriate than corresponding principles applicable to commercial organisations **(20 Marks)**
- b) Discuss the role and functions of the Treasury and its relationship with other Government department, in planning and controlling government expenditure. **(10 Marks)**

QUESTION TWO

The Government of Kenya has had a steady Public Expenditure increase trend over the last 10 years.

- a) Discuss the main reasons for the growth in public expenditure in Kenya. **(10 marks)**
- b) Explain the main characteristics of a tax **(10 Marks)**

QUESTION THREE

- (a) “Without the profit motive there is an inevitable lack of budget motive”. Do you agree? Why? **(10 Marks)**
- (b) Explain the administrative and accounting controls used to achieve the budgeted level of expenditure by the Government Ministries. **(10 marks)**

QUESTION FOUR

- a) Distinguish between Commitment Accounting and Fund Accounting in relation to Public Sector Accounting. **(10 marks)**

b) Vote head – Ministry of Public Works

A I E (Authority to incur expenditure) No. 225 – 35.

A I E (Authority to incur expenditure) K£5,000 (or Ksh100,000)

Transactions (Dec 2014)

1 Dec Ordered for iron sheets and cement from Ton & Co. for Sh.25,000;
L.P.O. No. 5213

6 Dec Paid Sh.3,000 for lorry hire to transport cement; PV No. 357

Transactions (Jan 2015)

10 Jan Paid Ton & Co. Sh.15, 000 being part payment for goods ordered through LPO No. 5213; PV No. 358.

15 Jan Purchased goods from AB & Co. for Sh.5,000 (timber); PV No. 359

20 Jan Issued LPO No. 5214 to Patel & Sons for windows and doors for Sh.20,000.

25 Jan Part payment to Patel & Sons Sh.7,000; PV No. 360.

Required

Prepare a vote book for the ministry of Public Works

(10 Marks)