



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SPECIAL/SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2014/2015 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: 30TH OCTOBER 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory

Answer THREE (3) questions (QUESTION ONE AND ANY OTHER TWO QUESTIONS)

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over. ►

QUESTION ONE

- (a) A strong legislative base is necessary to support a sound public financial management practice. Within the Kenyan context, briefly explore the various laws, acts of parliament that support Public Financial management. (10 marks)
- (b) “In view of challenges facing the devolved governments, General taxes from the central government should be considered a residual source of finance that should be resorted to only if other sources of finance are inadequate for county government’s resource needs.” Provide an argument with illustrations in light of this statement.(12 marks)
- (c) As Kenya settles down to a new dispensation of devolved system of governance, there is need to ensure that all citizens have equitable access to national resources. What measures are in place to ensure public resources are equitably distributed (8 marks)

QUESTION TWO

- (a) In transiting economies such as Kenya, debt policy and management should be carefully considered as it can easily conflict with the monetary policy. Explain the general issues involved in determining and managing a debt policy for a growing economy (10 marks)
- (b) The following information is extracted from the transactions of a government department’s Vote for the 2012/2013 financial year.

1 July, 2012: Ordered for iron sheets and cement from Tim sales hardware for Sh. 5,000,000 (L.P.O. No. 6220)

6 July, 2012 : Paid Sh.900, 000 for Lorry hire to transport cement (PV No. 460)

10 Sept, 2012: Paid Tim sales hardware Sh.4,500, 000 being part payment for goods ordered through LPO No. 6220;PV No. 461.

15 Oct, 2012: Purchased Timber from AB & Co. for Sh. 1,500, 000 PV No. 462

20 Dec,2012: Issued LPO No. 6221 to Patel & Sons for windows, Sh.6, 000,000.

25 Jan, 2013: Part payment to Patel & Sons Sh.2,100, 000; PV No.463

You are informed that spending Limit, FY2012/2013 for this department is Ksh20, 000, 000.

Required:

- (i) Assuming no other transactions, Show the actual and uncommitted balances. The department adopts the commitment accounting approach.(6 marks)
- (ii) What are the Merits of using Commitment Accounting in Public Sector Financial management? (4 marks)

QUESTION THREE

- (a) Provide an analysis of the benefits that accrue to citizens from the use of public funds as proposed by Hugh Dalton (10 marks)
- (b) The Zero based Budgeting (ZBB) System is an accepted approach to budgeting in the public sector. Provide a brief description of this form of budgeting. What are:
- (i) Merits
 - (ii) Demerits of the ZBB approach. (12 marks)

QUESTION FOUR

- a) Highlight key considerations when privatizing a firm to ensure that reorganization of public corporations produces widespread public benefits. (10 marks)
- b) Using suitable illustrations from the Kenyan economy, Explain the meaning of public goods. Clearly bring out their characteristics, and show how a market failure may result if these goods are provided by the private sector. (10 marks)