



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

ORDINARY 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: 24TH APRIL, 2015 TIME: 9.00-11.00AM

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) Chapter 12 of the Kenya constitution (2010) opens with the general principles that apply in the management of all public financial resources. Briefly explain provisions in this section that seeks to ensure that public finances are not misused. (12 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)
- (c) 'A government's Traditional budget served as a more rigid tool to implement policy in a retrospective setting. However, the role of the budget has considerably changed in the modern times'. Discuss the validity of this statement. (8 Marks)

QUESTION TWO

- (a) Explain FIVE principles that govern public expenditure. (10 marks)
- (b) In transiting economies such as Kenya, debt policy and management should be carefully considered as it can easily conflict with the monetary and other existing policies. Explain the primary issues involved in determining and managing a debt policy for a growing economy (10 marks)

QUESTION THREE

- (a) The Zero based Budgeting (ZBB) and the Planning-Programming-Budgeting System (PPBS) are two widely accepted approaches to budgeting in the public sector. Describe both and in each case highlight three specific Merits. (10 marks)
- (b) Many public corporations have in the past been largely under- performing, necessitating the government to reorganize them. A common way of reorganization is Privatization. Whereas there is no universal formula for successful privatization, a well-thought out policy is important for ensuring that privatization produces widespread public benefits. Highlight important issues that should be considered when privatizing a firm. (10 marks)

QUESTION FOUR

- (a) One of the basic objectives of Public expenditure management is to provide a framework within which to assess progress in improving performance of the budget system. Explore the link between the Public Expenditure Management and the budget process, and highlight pertinent issues that must be considered in allocation of public resources in developing countries. (6 marks)
- (b) One of the core mandates of the Commission for Revenue Allocation (CRA) is to recommend the basis for equitable sharing of revenues raised nationally between the National and the County Governments Briefly explain the parameters that (CRA) applies in sharing out of revenue in Kenya. (6 marks)
- (c) Give reasons that account for the growing public expenditure in transiting economies such as Kenya (8 marks)

