



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF COMMERCE

**BFI 4303: FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR**

SPECIAL/SUPPLEMENTARY EXAMINATIONS

**SERIES: FEBRUARY 2015**

**TIME: 2 HOURS**

**INSTRUCTIONS:**

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

***This paper consists of Two printed pages***

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**QUESTION 1 (Compulsory)**

- a) Briefly discuss the role of public financial management. **(8 marks)**
- b) Identify the main sources of government revenue. **(8 marks)**
- c) Bidii investments, an investor in books and stationery has an investment appraisal that involves an initial payment of £90,000 and then returns of £40,000, £50,000 and £60,000 respectively in 1, 2, and 3 years time. If money can be invested elsewhere at 13%, is this a worthwhile investment? **(6 marks)**
- d) Assume that a company has three subsidiaries A, B, C and that the company does not allocate corporate headquarter's costs or interest on longterm debt to the subsidiaries. Summary of the results are as follows:

Amount in £ '000'

	A	B	C	H	Total
Operating income	140	200	320		660
Variable cost of 'H'				50	
Fixed cost of 'H'				70	
Interest on longterm debt				200	<u>(320)</u>
Income before taxes					340
Taxes					<u>120</u>
Income after taxes					<u>220</u>
<b>Average book values</b>					
Current assets	200	300	250	100	950
Fixed assets	400	700	1,250	200	2,550

**Required:**

- i) Compute the return on investment. **(4 marks)**
  
- ii) Compute residual income assuming that the company requires a 10% interest on total assets of each subsidiary. **(4 marks)**

**QUESTION 2**

- a) Evaluate various measures that can be used to measure performance of a decentralized company. **(10 marks)**
  
- b) Explain the main reasons for decentralization in provision of government services. **(10 marks)**

**QUESTION 3**

- a) Briefly discuss the role of central government. **(10 marks)**
  
- b) Identify the main disadvantages of imposed budgets. **(10 marks)**

**QUESTION 4**

- a) Discuss the main problems facing co-operatives in Kenya. **(10 marks)**
  
- b) Describe the main revenue forecasting methods. **(10 marks)**

**QUESTION 5**

- a) Briefly describe the need for budgetary controls in an organization. **(10 marks)**
  
- b) Discuss the main objectives of a devolved government. **(10 marks)**