



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

UNIVERSITY EXAMINATION FOR

BACHELOR OF COMMERCE

(YEAR 3 SEMESTER 1)

BFI 4303: FINANCIAL MANAGEMENT IN PUBLIC SECTOR

INSTRUCTIONS

You should have the following for this examination

-Answer Booklet

This paper consist of FIVE questions.

Attempt question One (Compulsory) and any other two questions

Maximum marks for each part of a question are shown

This paper consist of two printed pages

Do Not Write on the Question paper

1. a) Explain the main sources of government revenue

[10 Marks]

b) ABC Ltd makes two products each in a different division. Sales and cost for each division is shown below

	PRODUCT A	PRODUCT B
Direct material	90,000	40,000
Direct labour	20,000	14,000
Variable cost – material	8,000	4,000
- Labour	12,000	6,000
Fixed cost – material	5,000	8,000
- Labour	7,000	3,000
- Depreciation	<u>4,000</u>	<u>2,000</u>
Total costs	146,000	77,000
Sales	<u>220,000</u>	<u>130,000</u>
Profit	74,000	53,000

Required:

- i. Prepare a value added statement [6 Marks]
 - ii. Compute profit to value added [2 Marks]
 - iii. Compute contribution to value added [2 Marks]
 - iv. Explain the importance of investment decisions [6 Marks]
 - v. Differentiate between payback period and profitability index [4 Marks]
2. a) Discuss the disadvantages of imposed budgets [10 Marks]
- b) Explain the main responsibilities of local authorities [10 Marks]
3. a) Explain the weaknesses of qualitative revenue forecasting methods [10 Marks]
- b) Describe the benefits of zero-base budgeting [10 Marks]
4. a) Briefly explain the functions of central government [10 Marks]
- b) Explain the objective of developed government [10 Marks]
5. a) Describe the problems being faced by County Governments in their service
Delivery to citizens [10 Marks]

b) Would you put £ 90,000 into a project which pays back nothing in the first year but brings annual net returns of £ 12,000 from the end of year 2 until the end of year 6 assuming an interest of 8%

[10 Marks]