

## **HBC 2305: FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR**

**EXAM 2015/2016**

**INSTRUCTIONS: Answer Question One and any other Two**

### **QUESTION ONE**

- a) What are the views of the following economic systems on provision of Economic Activities by the state?
- i. Capitalist
  - ii. Socialist
  - iii. Mixed economy [9 marks]
- b) Outline the various sources of public finance (revenue) [6 marks]
- c) Taxation is the major source of public Revenue and many theories have come into light explaining the bases on which tax proposals are generally developed. Explain any one theory on the division of tax burden. [15 marks]

### **QUESTION TWO**

- a) MOU is a tool for performance improvement; highlight the five basic steps of performance evaluation in MOU. [10 marks]
- b) Discuss the cannons of a good tax system and in essence bring out the qualities of an ideal tax system. [10 marks]

### **QUESTION THREE**

- a) Public expenditure is inherently different from private expenditure. Highlight the characteristics of public expenditure. [10 marks]
- b) Distinguish between performance budgeting and zero base budgeting. [10 marks]

#### **QUESTION FOUR**

- a) Using relevant examples distinguish between revenue receipt and capital resources as a major sources of public revenue. [4 marks]
- b) Explain the main reasons as to why the government of Kenya lives the responsibility of the preparation of the annual fiscal budget to the treasury rather than the national assembly. [3 marks]
- c) The development and implementation of the ZBB model of budgeting requires public sector managers and others in the organization to engage in several major planning, analytic and decision-making process. Discuss these major processes. [13 marks]

#### **QUESTION FIVE**

- a) For the last few fiscal years the Government of Kenya has prepared its annual budget without factoring in external loans from institutions such as the world bank and IMF which are not only unreliable but also attach tough conditionality on the loans disbursement. To achieve its budgetary target without external assistance, the government is laying down revenue collection policies and programmes geared towards optimal revenue collection. In light of this, state and explain the measures that the government should lay emphasis on in enhancing the efficiency and effectiveness of its revenue collection programmes. [7 marks]
- b) The bid system is an approach to the budgetary process that is incremental in nature and takes its starting position as the budget for the previous year. In view of this, discuss the main stages followed in budget preparation and also highlight the main criticisms of the system. [10 marks]

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### **INSTRUCTION: ANSWER ALL QUESTIONS**

- 1) The benefits from privatization depend significantly on how it is carried out. Briefly analyze the factors that policy makers need to consider to effectively implement a privatization programme. [10 marks]
- 2) Public financial management is that part of finance that deals with government finances while private deals with financing problems and policies of an individual economic unit. In light of this, compare and contrast public financial management and private financial management. [10 marks]
- 3) The bid system is an approach to the budgetary process that is incremental in nature and takes its starting position as the budget for the previous year. In view of this, discuss the main stages followed in budget preparation and also highlight the main criticisms of the system. [10 marks]