



SOUTH EASTERN KENYA UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF
COMMERCE**

DFI 402: FINANCIAL MANAGEMENT IN THE PUBLIC SECTOR

DATE: 9TH DECEMBER, 2016

TIME: 10.30-12.30PM

Instructions to Candidates

- a) Answer Question **ONE** and any other **TWO** questions.
- b) Begin answering a new question on a separate page on the booklet provided
- c) Credit will be given to the clarity of argument and use of local examples.

QUESTION ONE (30 MARKS)

- a) Distinguish between the following terms (6 marks)
 - i) Fiscal policy and Monetary policy
 - ii) Supplementary budget and Program based budgeting
 - iii) Public good and Private good
- b) Highlight four roles of the auditor general in public finance management (4 marks)
- c) Highlight five reasons why governments borrow (5 marks)
- d) Briefly explain four sources of County government finances (4 marks)
- e) Discuss four principles of Public finance (4 marks)
- f) Highlight four considerations of cost sharing for a developing country (4 marks)
- g) Highlight three importance of a balanced budget in a developing country (3 marks)

QUESTION TWO (20 MARKS)

- a) Explain four principles of a good tax system in view of public finance goals. (8 marks)
- b) Highlight three roles of accounting officers in government entities in enhancing prudent management of public resources (6 marks)
- c) Briefly explain six canons of public expenditure (6 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the role of the national assembly in financial management of public finance in view of desired fiscal goals and economic development of the country (4 marks)
- b)
- c) Show the relevance of four bills of parliament that are debated and passed in the budget making process by the National assembly (4 marks)
- d)
- e) The Public Finance Management Act 2012 provides for responsibilities of the office of the controller of budget in the financial management of public finance. Suppose you have been invited for an interview for the position which you are required to demonstrate your competence for the expected position. Demonstrate three key roles of the controller of budget showing the importance of the role in prudent Public Finance Management (6 marks)
- f)
- g) Many developing nations are faced with public debt burdens that are created over long duration of time. Highlight three reasons why governments still borrow (6 marks)

QUESTION FOUR (20 MARKS)

- a) The National Treasury plays an important role in the planning and implementation of fiscal objective of any country. Discuss the role of the National Treasury in Financial Management in the Public sector (8 marks)
- b) Explain the difference between internal debts and external debts and show justification for each to achieve desire macroeconomic environment (8 marks)
- c) Distinguish between debt equity conversion and debt rescheduling (4 marks)

QUESTION FIVE (20 MARKS)

- a) In Kenya, the Public Procurement and Asset Disposal Act, 2015 provides for procedures for Public Sector procurement. Discuss four principles of a good procurement process in the Public Sector (8 marks)
- b) The national budget in Kenya is a negotiated fiscal tool that is aimed at facilitating desired economic result in a financial year. With the help of diagrammatic impressions, demonstrate the budget making process highlighting the role of key stakeholders in the process. (10 marks)
- c) In financial management in the public sector, what do you understand by ‘Authority to incur expenditure’ (2 marks)