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**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# University Examinations 2016/2017

**YEAR II SEMSTER I EXAMINATION FOR THE DEGREE OF MASTER OF SCIENCE IN FINANCE AND ACCOUNTING**

# HBAA 3206: AUDITING IN THE PUBLIC SECTOR AND NGO SECTOR

**DATE: JULY, 2017**  **TIME: 3 HOURS**

**INSTRUCTIONS: Answer Question ONE and any TWO other questions.**

**Question One**

h) Discuss the qualities of an auditor. (6 marks)

**Question Two**

a) Distinguish between first degree price discrimination and second degree price discrimination. [5 marks]

b) A monopoly has the following demands for two markets.

P1=25-2Q1

P2=40-3/2Q2

C=60+40, but Q=Q1+Q2

1. Find profit maximizing level of output and price in each market. [6 marks]
2. In the absence of price discrimination what would be the profit maximizing output and price. [6 marks]

c) State the assumptions of perfectly competitive markets. [5 marks]

d) Distinguish between producer surplus and consumer surplus. [3 marks]

**Question Three**

a) Highlight the problems of industrialization. [8 marks]

b) Describe the Delphi method and its stages. [4 marks]

c) What are the causes of unemployment. [6 marks]

d) Consider the demand function P=30-Q.

**Question Four**

a) Consider the following of the tax cash flows.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Year | 0 | 2 | 3 | 4 | 5 | 6 |
| Cash flow | (11000) | 3400 | 3540 | 3680 | 4100 | 4240 |

The required rate of return is 17%.

Required:

Compute the net present value and internal rate of return. [6 marks]

b) A project requires an initial investment of sh. 500,000 it is expected cash flows are sh. 200,000 every year for 5 years. The risk free rate (Rf) is 5% while market return (Rm) is 14%. The beta factor is 102.

The firm is indifferent between a certain amount of sh. 181347 and expected cash flow of sh. 200000 at the end of the 5th year.

Determine the net present value of the project using:

1. Certainty equivalent method. [5 marks]
2. Risk adjusted discount rate (Rs). [5 marks]



c) Highlight the limitations of economic theory. [4 marks]

d) Distinguish between increment cost pricing and product bundling. [5 marks]



**Question Five**

a) Describe the prices of building and testing an economic model. [10 marks]

b) Define law of demand and explain why demand curve is downward slopping. [7 marks]

c) Discuss the significance of industrialization in Kenya. [8 marks]