KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2015/2016

THIRD SEMESTER EXAMINATION FOR THE DEGREE OF EXECUTIVE MASTER OF PUBLIC POLICY AND ADMINISTRATION

APP 812: FINANCIAL MANAGEMENT FOR POLICY MAKERS

DATE: SATURDAY 30TH JULY 2016 **TIME: 9.00 A.M. - 12.00 P.M.**

INSTRUCTIONS:

ATTEMPT ANY FOUR QUESTIONS

1. a) A state corporation intends to purchase a machine worth shs 15,000,000 which will have a residual value of sh.2,000,000 after 5 years of useful life. The after tax savings in cost (net cash flow) resulting from the use of this machine are shown below:

Year	Shs.
1	8,000,000
2	3,500,000
3	-
4	6,800,000
5	7,750,000

Required:

a) Using NPV method, advice the company whether this machine should be purchased if the cost of capital is of 14%. (9 Marks)

b) Explain the advantages of using Net Present Value as a way of evaluating capital investments. (6 Marks)

a) Highlight the key differences between financial management in the public and private sector. (7 Marks)

c) Outline the role played in public reporting by:

i. The public Accounts Committee (4 Marks)

ii. The auditor general (4 Marks)

3. a) A budget is a comprehensive plan of action designed to achieve the policy objectives set by the government for the following year.
Explain the FOUR main phases of a budget. (8 Marks)

b) Explain the concept of performance based budgeting (PBS) and design a possible programme structure for social services department. (7 Marks)

4. Over the last few years there have been efforts to boost public sector audit in Kenya. Discuss the challenges of public sector audit in Kenya's newly devolved system of government and propose ways of enhancing the same in third world countries.

(15 Marks)

5. Cost-benefit analysis is often used by governments and other organizations, such as private sector businesses, to appraise the desirability of a given policy.

Required:

Using examples, explain some of the Common Errors in Cost-Benefit Analysis.

(15 Marks)