



MACHAKOS UNIVERSITY

University Examinations 2021/2022 Academic Year

SCHOOL OF BUSINESS, ECONOMICS AND HOSPITALITY AND TOURISM
MANAGEMENT

DEPARTMENT OF BUSINESS ADMINISTRATION AND FINANCE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR
BACHELOR OF ARTS (PUBLIC ADMINISTRATION)

APP309: FINANCE MANAGEMENT FOR POLICY MAKERS

DATE: 26/8/2022

TIME: 8.30-10.30 AM

INSTRUCTIONS

- Answer question **ONE (Compulsory)** and any other **TWO questions**

QUESTION ONE (30 MARKS)

- a) Kikomi limited is a manufacturer of children garments. The sales vary seasonally and are higher in the month of May. The management wishes to prepare a cash budget from the period January through June 2017. The sales estimates are as follows: -

Month	Sale estimates (shs.)	Credit purchases (shs)
January	84,000	110,000
February	156,000	170,000
March	132,000	160,000
April	228,000	240,000
May	288,000	250,000
June	108,000	260,000

You are given the following additional information: -

1. Sales for December were shs. 60,000 and purchases shs. 120,000.
2. Credit sales are 70% and cash sales 30% of total sales
3. There is a time lag of one month between credit sales and its collection. No bad debts are expected.
4. Payments for purchases is 60% in the month of purchase and balance in the following month.

5. Monthly administration expenses are: shs.720.
6. As at January 2017, there was a cash balance of shs. 1,200,000.

Required:

- i. Determine the amount of credit and cash sales for each month. (2 marks)
 - ii. Prepare a cash budget from the months January to June 2017. (10 marks)
- b) The summarized accounts of Shiners ltd. for the years ended 31st December 2010 and 2011 are as follows:

	2011	2010
	Sh.'000'	Sh.'000'
Balance sheet		
Investments at cost	16,000	10,400
Land	12,600	8,800
Plant and machinery, at cost	2,200	2,000
Buildings, at cost	18,000	10,000
Stock	13,000	11,000
Debtors	10,000	8,000
Bank	-	200
	<u>71,800</u>	<u>50,400</u>
Ordinary shares Sh.20 each	10,000	8,000
Share premium	2,800	2,600
Revaluation reserve	4,000	-
Profit and loss account	5,000	5,000
10% Debentures	30,000	20,000
Accumulated depreciation:		
Plant and machinery	1,000	800
Buildings	2,200	2,000
Creditors	12,000	8,000
Proposed dividend	4,000	4,000
Bank	800	-
	<u>71,800</u>	<u>50,400</u>
Profit and loss account:		
Sales	40,000	40,000
Cost of sales	<u>24,000</u>	<u>20,000</u>
	16,000	20,000
Expenses	<u>12,000</u>	<u>12,000</u>
	4,000	8,000
Dividends	<u>4,000</u>	<u>4,000</u>
	-	4,000
Balance b/f	<u>5,000</u>	<u>1,000</u>
Balance c/f	<u>5,000</u>	<u>5,000</u>

Required:

calculate for Shiners Ltd, for 2010 and 2011, the following ratios:

- i. Gross profit percentage
- ii. Net profit percentage
- iii. Debtors turnover
- iv. Creditors turnover
- v. Current ratio
- vi. Quick assets (acid test) ratio. (12 marks)

c) A manufacturing company makes two types of products namely P and Q. The company uses two materials X and Y in the manufacture of these products. The following information is given for the year 2016:

i. **Budgeted sales**

<u>Product</u>	<u>Quantity</u>	<u>Price</u>
P	18,000	Ksh.65
Q	20,000	Ksh.80

ii. **Materials used:**

Material

	X	Y
Unit cost	Ksh.6	Ksh.3
Quantities used		
P	3	6
Q	5	4

Stocks were as follows:

Finished Product	Opening	Closing
P	3,000	1,500
Q	2,000	2,500
Material		
X	5,000	6,000
Y	4,000	3,000

Required: Prepare:

- i. Sale budget (3 marks)
- ii. Production budget (3 marks)

QUESTION TWO (20 MARKS)

- a) Explain the meaning of a public budget and its importance.
- b) Explain the sources of government revenue.
- c) Explain the functions of the government.

QUESTION THREE (20 MARKS)

- a) Explain the meaning of public expenditure and its justification.
- b) Discuss the importance of public private partnership.
- c) Explain the importance of gender budgeting.
- d) Discuss the examples of gender and gender responsive budgeting.

QUESTION FOUR (20 MARKS)

- a) Explain the techniques and tools used in financial negotiations.
- b) Explain the meaning of financial planning.
- c) Explain how financial reporting is carried out.

QUESTION FIVE (20 MARKS)

- a) Explain the meaning of public debt management (PDM)
- b) Explain the guidelines to PDM
- c) Demonstrate the linkages of PDM with Monetary and Fiscal policy.