



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## UNIVERSITY EXAMINATIONS 2024/2025

THIRD YEAR SECOND SEMESTER EXAMINATION FOR DEGREE OF BACHELOR  
OF COMMERCE

### BFC 3380: FINANCIAL MANAGEMENT IN PUBLIC SECTOR

DATE: DECEMBER 2024

TIME: 2 HOURS

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

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#### QUESTION ONE (30 MARKS)

- Explain the advantages of cash basis system of accounting in public sector (10marks)
- Explain the general responsibilities of the national treasury in the management and control of public finances. (10 marks)
- In preparation of national budget, several principles need to be followed. Discuss the principles of a sound budget (10 marks)

#### QUESTION TWO (20 MARKS)

- Using relevant examples differentiate Fiscal policy and monetary policy (10 marks)
- Explain five general objective of the office of auditor general in regard to internal audit in public sector (10 marks)

#### QUESTION THREE (20 MARKS)

PFM involves highly complex, technical tasks and processes, including macroeconomic forecasting, budget allocation, accounting and auditing. The complexity of such processes limits public scrutiny and provides many opportunities for corruption. The risk of corruption varies between and within the different stages of the budget process. Although corruption primarily manifests itself in forms that involve illegal money transfers at the budget execution level, other steps of the budget process may create opportunities for corruption at



other stages of the PFM process. Discuss how corruption may manifest at different stages of budget cycle (20 marks)

**QUESTION FOUR (20 MARKS)**

- a) Briefly explain the principles of public debt management (5 marks)
- b) Different economists have classified the sources of public revenue differently. Taylor's classification is considered most logical and scientific. Discuss the classification of public revenue by Taylor (5 marks)
- c) PFM is one of the major instruments to implement public policies. As an instrument, PFM has specific objectives to implement policies. Discuss the objectives of PFM (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) List the advantages and disadvantages of Zero based budgeting system (10 marks)
- b) On or before the 28th February in each year, the county treasury shall submit to the county assembly a statement setting out the debt management strategy of the county government over the medium term with regard to its actual liability and potential liability in respect of loans and its plans for dealing with those liabilities. List the information the county treasury is required to include in his statement to the county assembly (10marks)

