

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

EXAMINATION FOR THE AWARD OF DIPLOMA IN PUBLIC ADMINISTRATION

LAPA 0260: BASIC FINANCIAL MANAGEMENT

STREAMS: DIP (Y2S1)

TIME: 2 HOURS

DAY/DATE: MONDAY 13/08/2018

11.30 A.M - 1.30 P.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions.

QUESTION ONE

- (a) Explain any FIVE roles of a finance manager. [5 Marks]
- (b) Explain the meaning of the following terms as used in financial management;
- (i) Profit maximization [2 Marks]
  - (ii) Wealth maximization [2 Marks]
  - (iii) Social responsibility [2 Marks]
- (c) Briefly explain the main objectives of financial management in an organization [10 Marks]
- (d) Differentiate between current ratio and quick (acid test) ratio. [4 Marks]
- (e) Company XYZ had the following current assets and liabilities in the month of April 2018.

Cash in hand	20,000
Cash at bank	10,000
Stock	5,000
Goods bought on credit	10,000
Bank overdraft	5,000

**Required:**

Calculate the current ratio of company XYZ and indicate whether the ratio is appropriate.

[5 Marks]

**QUESTION TWO**

- (a) Explain FIVE sources of finance for the County Government. [10 Marks]
- (b) Explain FIVE challenges facing the County Governments in collections of revenue. [10 Marks]

**QUESTION THREE**

- (a) Draw and explain the budgetary cycle. [10 Marks]
- (b) (i) Explain the meaning of imprest. [2 Marks]
- (ii) Explain FOUR reasons why employees should surrender imprest in an organization. [8 Marks]

**QUESTION FOUR**

- (a) You have just been employed as a finance manager in Chuka University. Advise the management why they should engage the services of an external auditor every year. [10 Marks]
- (b) Explain FIVE qualities of a good audit. [10 Marks]

**QUESTION FIVE**

- (a) Explain the advantages and disadvantages of investing in Government Treasury Bonds. [12 Marks]
  - (b) Explain the features of a sound investment evaluation method. [8 Marks]
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