



AMREF INTERNATIONAL UNIVERSITY
SCHOOL OF PUBLIC HEALTH
DEPARTMENT OF HEALTH SYSTEMS MANAGEMENT AND DEVELOPMENT
MASTER OF SCIENCE IN HEALTH SYSTEMS MANAGEMENT
END OF SEMESTER EXAMINATION - DECEMBER 2024

HSM 719: HEALTHCARE FINANCIAL MANAGEMENT

DATE: December 2024

TIME: Three Hours **Start:** 5:30 pm **Finish:** 8:30 pm

INSTRUCTIONS

1. This exam is marked out of 100 marks
2. This Examination comprises TWO Sections
3. Section A: Compulsory Question (25 marks)
4. Section B: Long Answer Questions (75 marks)
5. All questions in Section A are compulsory and Answer any THREE questions in Section B
6. This online exam shall take 3 Hours
7. Late submission of the answers will not be accepted
8. Ensure your web-camera is on at all times during the examination period
9. No movement is allowed during the examination
10. Idling of your machine for 5 min or more will lead to lock out from the exam
11. The Learning Management System (LMS) has inbuilt integrity checks to detect cheating
12. Any aspect of cheating detected during and or after the exam administration will lead to nullification of your exam
13. In case you have any questions call the invigilator for this exam on Tel. +254722774221 and Head of Department on Tel +254725984499 and michel.mutabazi@mcampus.amref.ac.ke
14. For adverse incidences please write an email to: amiu.examinations@amref.ac.ke

SECTION A: ANSWER ALL QUESTIONS (25 MARKS)

1. Outline four benefits of a sound fiscal policy in financing healthcare. (4 marks)
2. Explain four ways in which you can improve the liquidity of a hospital for which you are a manager. (4 marks)
3. Outline any four principles of finance. (4 marks)
4. State how you can use the following accounting concepts in your work as a finance manager
 - a) Business entity concept (2 marks)
 - b) Realization concept (2 marks)
5. Outline three benefits of capital budgeting in healthcare organizations. (3 marks)
6. Distinguish between risk assessment and risk pooling in healthcare financial management. (2 marks)
7. Consider a project which has the following cash flow stream

Year	Cash flow in KES
0	(3,000,000)
1	600,000
2	600,000
3	900,000
4	900,000
5	1,050,000

The cost of capital, r , for the firm is 10%. Calculate the net present value of the proposal and interpret your result. (4 marks)

SECTION B: ANSWER ANY THREE (3) QUESTIONS OF YOUR CHOICE

8. a) Discuss five uses of financial ratios in determining the performance of a healthcare organization giving relevant examples of financial ratios. (15 marks)
b) Explain the steps followed to properly conduct financial audit in a healthcare organization. (10 marks)
9. a) Describe any four types of budgets in healthcare industry. (16 marks)

b) After reviewing your budget, you have determined that you can afford to pay KSH 150,000 per months for 3 years toward a new ambulance. You call a finance company and learn that the going rate of interest on a car finance is 2 percent per month for 36 months. How much can you borrow? (9 marks)

10. a) Explain any three financial statements used to report financial results of a healthcare organization. (9 marks)

b) Explain three roles of the Board of Directors in financial performance of a healthcare institution. (9 marks)

c) Suppose you have decided to deposit KSH 50,000 per year in your public provident fund account for 30 years. Calculate the accumulated amount in your public provident fund account at the end of 30 years if the interest rate is 8% (7 marks)

11. a) Discuss three ways in which you can use the balanced scorecard to strategically improve the financial performance of a healthcare organization. (9 marks)

b) You want to borrow KSH 1,080,000 to build an office in hospital. You approach a housing finance company which charges 12.5 percent interest. You can pay KSH 180,000 per year towards loan amortization. Determine the maturity period of the loan (9 marks)

c) Assume that hospital A has a project requiring an initial cash outlay of \$6,000,000. The project is expected to return \$2,000,000 each period for the next five periods, and the appropriate discount rate is 4%. Calculate the discounted payback period. (8 marks).

12. a) Discuss three advantages and two disadvantages of performance-based health financing in a developing country of your choice. (10 marks)

b) Elaborate on healthcare financing mechanisms in your country giving examples of relevant laws and institutions involved in healthcare financing. (15 marks)