



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 - APRIL 2026

HSM 719: HEALTHCARE FINANCIAL MANAGEMENT

DATE: 15th April 2026

TIME: Three Hours **Start:** 5:00 pm **Finish:** 8:00 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

SECTION A: Answer all questions (25 marks)

1. Explain the following concepts as used in healthcare financial management:

- a) Realization concept (2 marks)
- b) Business entity concept (2 marks)
- c) Periodicity concept (2 marks)
- d) Historical cost concept (2 marks)

2. Consider a project which has the following cash flow stream

| Year | Cash flow in KES |
|------|------------------|
| 0 | (1,000,000) |
| 1 | 200,000 |
| 2 | 200,000 |
| 3 | 300,000 |
| 4 | 300,000 |
| 5 | 350,000 |

The cost of capital for the private pharmacy is 10%.

- a) Calculate the net present value of the proposal. (5 marks)
 - b) Interpret your result. (2 marks)
3. Outline the steps in revenue cycle management in healthcare. (5 marks)
4. Explain five ways in which the financial system influences the performance and sustainability of the health systems in your country. (5 marks)

SECTION B: ANSWER ANY THREE (3) QUESTIONS

5. a) Examine five roles of performance-based health financing in improving the following:
- i. Efficiency in health service delivery (5 marks)
 - ii. Quality of health services (5 marks)
 - iii. Equity in health service delivery (5 marks)

b) Discuss five disadvantages of performance-based health financing (10 marks)

6. Consider the following financial statements of Hope Hospital.

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Hope Hospital

Balance Sheet December 31, 2025 and 2024 (In thousands \$)

| | <u>2025</u> | <u>2024</u> |
|---|----------------------|----------------------|
| Current Assets | | |
| Cash and cash equivalent | 700 | 1,000 |
| Net patient receivables | 4,000 | 3,500 |
| Inventory | <u>950</u> | <u>750</u> |
| Total current Asset | 5,650 | 5,250 |
| Noncurrent Assets | | |
| Plant. Property and equipment | | |
| Gross plant, Property, and equivalent | 26,500 | 24,000 |
| (Less accumulated depreciation) | <u>-18,000</u> | <u>-17,000</u> |
| Net plant, property, and equipment | 8,500 | 7,000 |
| Board-Designated Funds | <u>18,000</u> | <u>9,000</u> |
| Total assets | <u>32,150</u> | <u>21,250</u> |
| Current liabilities | | |
| Accounts payable | 2,500 | 2,000 |
| Accrued expenses | <u>900</u> | <u>750</u> |
| Total current liabilities | 3,400 | 2,750 |
| Long-term liabilities | | |
| Bonds Payable | <u>6,500</u> | <u>8,000</u> |
| Total long-term liabilities | 6,500 | 8,000 |
| Net Assets | <u>22,250</u> | <u>10,500</u> |
| Total liabilities and net assets | <u>32,150</u> | <u>21,250</u> |

Hope Hospital
Statement of Operations for the Years Ended December 31
2025 and 2024 (In thousand)

| | <u>2021</u> | <u>2020</u> |
|--------------------------------------|----------------|----------------|
| Revenues | | |
| Net patient service revenue | \$23,000 | \$19,000 |
| Net assets releases from restriction | <u>1,000</u> | <u>800</u> |
| Total operating revenues | 24,000 | 19,800 |
| Expenses | | |
| Salaries and Benefits | 13,000 | 9,000 |
| Suppliers and other expenses | 7,000 | 6,000 |
| Depreciation | 2,500 | 2,000 |
| General services | <u>200</u> | <u>100</u> |
| Total operating expenses | <u>22,700</u> | <u>17,100</u> |
| Operating income | <u>1,300</u> | <u>2,700</u> |
| Nonoperating Income | <u>4,000</u> | <u>2,500</u> |
| Excess of revenue over expenses | 5,300 | 5,200 |
| Increase (Decrease) in Assets | <u>\$5,300</u> | <u>\$5,200</u> |

Using examples of financial ratios calculated from the statements above, analyze the following:

- i. Liquidity of Hope Hospital (5 marks)
- ii. Efficient use of assets by Hope Hospital (5 marks)
- iii. Revenues and expenses in Hope Hospital (5 marks)
- iv. Profitability of Hope Hospital (5 marks)
- v. Capital structure of Hope Hospital (5 marks)

10.

- a) Explain five primary objectives of an external financial audit in health sector. (15 marks)
- b) Describe two deliverables produced by an external financial audit (10 marks)

8. a) Discuss three types of budgets and their applications in healthcare financial management (15 marks)
- b) 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 12% (10 marks)
9. a) Examine three tools that can be used in strategic financial management (15 marks)
- b) Assume that hospital A has a project requiring an initial cash outlay of \$3,000,000. The project is expected to return \$1,000,000 each period for the next five periods, and the appropriate discount rate is 4%. Calculate the discounted payback period (10 marks).