



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

HSM719: HEALTHCARE FINANCIAL MANAGEMENT

DATE: DECEMBER 2025

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@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. Explain five ways in which you can use the balanced scorecard to improve the financial performance of a hospital (5 marks)
2. Highlight five internal control systems that contribute to effective financial control and prevention of misuse of resources in health institutions (5 marks)
3. Describe the financial audit process (5 marks)
4. Outline five key challenges faced in revenue generation and management within public healthcare institutions in your country (5 marks)
5. Explain five key steps involved in capital budgeting process (5 marks)

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

6. a) Discuss the budgeting process in the Kenyan public health sector, highlighting the constitutional and legal aspects that guide budget formulation and control (13 marks).
b) Explain two ways in which effective budgeting contributes to each of the following:
 - i) Financial accountability (4 marks)
 - ii) Financial sustainability (4 marks)
 - iii) Resource allocation in healthcare institutions (4 marks).
7. a) Financial reports are vital tools for decision-making in healthcare organizations. Explain five types and five functions of financial reports in healthcare financial management. (15 marks)
b) Discuss five uses of financial data in planning, monitoring, and evaluating health programs giving relevant examples. (10 marks)
8. Health care systems rely on diverse financing mechanisms to achieve universal health coverage.
 - a) Analyze five sources of health financing in the public and private sectors in your country, discussing the advantages, challenges, and sustainability of each source. (15 marks)
 - b) Propose five health financing reforms aimed at improving efficiency and equity in resource allocation in your country. (10 marks)
9. Better Hospital Ltd. has provided the following financial statements for the year ended December 31, 2024.

Balance Sheet of Better Hospital Corporation *as of December 31, 2024*

Assets	Amount (KES)
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Current Assets	
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Cash	45,000,000
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Accounts Receivable	60,000,000
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Inventory	90,000,000
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Prepaid Expenses	5,000,000
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Total Current Assets	200,000,000
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Non-Current Assets	
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Property, Plant & Equipment	300,000,000
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Accumulated Depreciation	(50,000,000)
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Net PPE	250,000,000
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Total Assets	450,000,000
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Liabilities and Equity	Amount (KES)
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Current Liabilities	
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Accounts Payable	40,000,000
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Short-term Notes Payable	25,000,000
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Accrued Expenses	10,000,000
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Total Current Liabilities	75,000,000
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Long-Term Liabilities	
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Long-Term Debt	100,000,000
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Total Liabilities	175,000,000
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Equity	
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Common Stock	100,000,000
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Assets	Amount (KES)
Retained Earnings	175,000,000
Total Equity	275,000,000
Total Liabilities & Equity	450,000,000

Income Statement of Better Hospital Corporation for the Year Ended December 31, 2024

Revenue and Expenses	Amount (KES)
Revenue	
Net Sales	600,000,000
Cost of Goods Sold (COGS)	(360,000,000)
Gross Profit	240,000,000
Operating Expenses	
Selling Expenses	(50,000,000)
Administrative Expenses	(40,000,000)
Depreciation Expense	(10,000,000)
Total Operating Expenses	(100,000,000)
Operating Income (EBIT)	140,000,000
Interest Expense	(10,000,000)
Earnings Before Tax (EBT)	130,000,000
Income Tax Expense (30%)	(39,000,000)
Net Income	91,000,000

Required:

Using the financial statements above, compute the following five financial ratios and interpret each result:

1. Current Ratio (5 marks)
2. Gross Profit Margin (5 marks)
3. Debt-to-Equity Ratio (5 marks)

4. Return on Assets (ROA) (5 marks)
5. Interest Coverage Ratio (5 marks)

10. a) Suppose you have decided to deposit KSH 30,000 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)

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) 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, r , for the firm is 10%. Calculate the net present value of the proposal and interpret your result. (9 marks)