



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 2025

HSM 719: HEALTHCARE FINANCIAL MANAGEMENT

DATE: 7th April 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@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. Explain the relationship between financial control and financial management giving five relevant examples. (5 marks)
2. Identify five key sources of finance in the public health sector. (5 marks)
3. Highlight five principles of financial management. (5 marks)
4. Explain five benefits of producing financial statements in healthcare financial management. (5 marks)
5. ABC Ltd. is considering investing in a project that requires an initial investment of \$100,000. The project is expected to generate the following cash flows over the next 4 years:
 - Year 1: \$30,000
 - Year 2: \$35,000
 - Year 3: \$40,000
 - Year 4: \$50,000

The company uses a discount rate of 10% per year.

Required:

- a) Compute the Net Present Value (NPV) of the project. (4 marks)
- b) Based on your calculation, should the company accept or reject the project? (1 mark)

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

6. a) Describe the financial audit process and its five benefits in health institutions (10 marks).
b) A health facility is planning to expand its operations. Discuss five financing options available and the issues to consider in resource allocation (15 marks).
7. a) Discuss five advantages of strategic management in handling scarce resources in a healthcare system. Provide an example for each. (10 marks)
b) A hospital administrator is facing a financial deficit due to poor revenue collection. Suggest three financial management tools that can be used to improve revenue collection and justify their importance. (15 marks).
8. a) Explain the key components of three commonly used financial statements in healthcare institutions (9 marks)
b) Discuss two influences of three financial statements in decision-making in both public and private healthcare institutions (8 marks)

9. a) ABC Ltd. has provided the following financial statements for the year ended December 31, 2024.

Income Statement (in \$000s)

Revenue	\$500,000
Cost of Goods Sold (COGS)	\$300,000
Gross Profit	\$200,000
Operating Expenses	\$80,000
Operating Profit (EBIT)	\$120,000
Interest Expense	\$20,000
Tax Expense	\$25,000
Net Income	\$75,000

Balance Sheet (in \$000s)

Cash	\$50,000
Accounts Receivable	\$70,000
Inventory	\$60,000
Total Current Assets	\$180,000
Property, Plant & Equipment (PP&E)	\$220,000
Total Assets	\$400,000
Accounts Payable	\$40,000
Short-Term Debt	\$30,000
Total Current Liabilities	\$70,000
Long-Term Debt	\$130,000
Total Liabilities	\$200,000
Common Equity	\$200,000
Total Liabilities & Equity	\$400,000

Required:

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

1. Current Ratio (3 marks)
2. Gross Profit Margin (3 marks)
3. Debt-to-Equity Ratio (3 marks)
4. Return on Assets (ROA) (3 marks)
5. Interest Coverage Ratio (3 marks)

b) A hospital is planning to purchase a new MRI machine that costs \$2.5 million. To finance the purchase, the hospital takes out a 10-year annuity loan with an interest rate of 6% per year, compounded annually. The hospital will make equal annual payments at the end of each year. Calculate the amount the hospital will pay at the end of each year for 10 years to fully pay off the loan. (10 marks)

ANNU