(*Knowledge for Development*)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

THIRD YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCF 322

COURSE TITLE: PUBLIC FINANCE

DATE: 6TH OCTOBER,2021 **TIME: 9.00AM – 11.00AM**

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE

SECTION A

QUESTION ONE

a) Analyze two classifications of tax systems of a country (4mks)

b) Explain the importance of public finance to a developing economy like Kenya (8mks)

c) Highlight six benefits of capital budgeting in public sector (6mks)

d) State and explain six effects of public expenditure on economic development (12mks)

SECTION B

QUESTION TWO

a) Define the following terms as used in public finance (10mks)

   i) Public financial management (2mks)

   ii) Social goods (2mks)

   iii) Revenue anticipation notes (2mks)

   iv) Capital Improvement plan (2mks)

   v) Equalization fund (2mks)

b) In the recent past, Kenya has witnessed growth in both the number and the scope of public expenditure. State and explain the causes of this trend. (10 marks)

QUESTION THREE

a) Differentiate between productive debt and unproductive debt (6 mks)

b) Discuss politics of public budgeting to a developing country like Kenya (10mks)

c) Differentiate between budgeting in public and private sector (4mks)

QUESTION FOUR

a) Assess the key principles of public finance (8mks)

b) State and explain four key causes of a market failure (4mks)

c) Enumerate eight reasons for preparing a national budget in Kenya (8mks)

QUESTION FIVE

a) Discuss four key reasons for government intervention in an economy (8mks)

b) Explain tax incidence in the case of inelastic supply and elastic demand (4mks)

c) Discuss four steps of budgeting process in Kenya (8mks)