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(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER
SPECIAL/ SUPPLEMENTARY EXAMINATION
FOR BACHELOR OF COMMERCE AND BACHELOR OF BUSINESS
MANAGEMENT

COURSE CODE: BCF 326

COURSE TITLE: PUBLIC FINANCE

DATE: 5TH FEBRUARY, 2021

TIME: 2.00PM – 4.00PM

INSTRUCTIONS TO CANDIDATES

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

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

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

QUESTION ONE

- i.) Explain the optimum output of social goods (5mks)
- ii.) Explain the meaning of equity in income distribution (5mks)
- iii.) Briefly explain the following theories of public expenditure
 - a) The ballot box theory (3mks)
 - b) Individual choice theory (3mks)
- i) Explain how the following methods can be used to do the costing of a project
 - a) Shadow pricing (5mks)
 - b) Discounted cost of capital (5mks)
- ii) Highlight differences between vertical and horizontal equity (4mks)

QUESTION TWO

- i. Describe a public good (3mks)
- ii. Explain the differences between public finance and private finance (7mks)
- iii. discuss the main causes of market failure in an economy (10mks)

QUESTION THREE

- i. Distinguish between rent seeking and bureaucracy as they relate to the public choice theory
5mks
- ii. using relevant examples state and explain reasons for economic inequality within society(15mks)

QUESTION FOUR

- i. Explain a progressive tax. Give its merits (3mks)
- ii. State and explain atleast six roles of government in resource allocation (12mks)
- iii. Using Appropriate Examples, Explain Possible Solutions of Free- Rider Problem (5mks)

QUESTION FIVE

- i. Explain tax incidence in the case of inelastic supply and elastic demand (3mks)
- ii. Describe the efficiency principals of taxation 8mks
- iii. Explain the measurement of benefits and costs in public projects 7mks
- iv. Explain the concept of excess burden of taxation (2mks)