

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF  
DEGREE OF BACHELOR OF COMMERCE**

**BCOM 335: PUBLIC FINANCE**

**STREAMS: Y3S2 ODEL**

**TIME: 2 HOURS**

**DAY/DATE : WEDNESDAY 21 /07/ 2021**

**2.30 PM – 4.30 PM**

---

**INSTRUCTIONS:**

- Answer Question one (Compulsory) and any other Two Questions.

**QUESTION ONE**

- a) Two public financial analyst argued that the Progressive tax system should be applied since it generates enough revenue to the government while the other analyst disregarded progressive tax since it burdens the high income earners. Compare and contrast the two views. [12 Marks]
- b) In this year's financial budget the government can only raise 1.8 trillion out of the 3 trillion and thus the government is forced to borrow. Explain the impact of this debt to the Kenyan economy. [6 Marks]
- c) Discuss the different types of taxes that are levied on specific items in Kenya. [6 Marks]
- d) Mentalla plastics operate by dumping its waste into the river and polluting the environment. A section of the community decided to demonstrate in order to stop the operations of the factory since it affects their welfare. Describe the solutions to the losses that are sustained by this community. [6 Marks]

**QUESTION TWO**

- a) Discuss the effects of tax avoidance to the Kenyan economy. [7 Marks]
- b) The budgeted expenditure for this year will increase because of the BBI as compared to last year.
- i) Describe the restraints that prevents the government to increase its expenditure. [6 Marks]
- ii) Explain the negative consequences of the increase in public expenditure. [7 Marks]

**QUESTION THREE**

- a) Due to COVID 19 the inflation rate in the country rose to 5.6% as a result the government will be forced to reduce the inflation rate so that Kenyans will not experience the heavy burden of spending brought by inflation by coming up with fiscal policy. Explain the challenges encountered when using fiscal policy to reduce inflation. [6 Marks]
- b) The preparation and execution of the budget estimates requires the adoption of certain elements in line with the set objective. Describe the elements that the minister of finance considers in the national budget. [7 Marks]
- c) Explain the nature and scope of public finance. [7 Marks]

**QUESTION FOUR**

- a) Describe the functions of the office in charge of controlling the budget to avoid over expenditure. [7 Marks]
  - b) Distinguish between project tied loan and reproductive debt. [4 Marks]
  - c) With the aid of a diagram, discuss the maximum social advantage and its assumptions. [6 Marks]
  - d) State the importance of budgetary control. [3 Marks]
- .....