

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
COMMERCE, BACHELOR OF PROCUREMENT AND LOGISTICS
MANAGEMENT AND BACHELOR OF COOPERATIVE MANAGEMENT**

BCOM 335: PUBLIC FINANCE

STREAMS: BCOM, BPLM, BCOP (Y3S2)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 07/07/2021

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

Answer question one and any other two questions

QUESTION ONE

- (a) One school of thought argued that regressive tax system is better since it encourages individuals to save while the other school of thought argued that it should not be encouraged since it does not generate enough revenue to the government. Compare and contrast this statement. (10 marks)
- (b) This year's national budget has been estimated at 3.66 trillion and the Kenya revenue can only raise a total of 1.7 trillion to finance the budget as a result the government is forced to borrow.
- (i) Explain the different types of debt (5 marks)
- (ii) Discuss the negative effects of this borrowing to the Kenyan economy. (5 marks)
- (c) The budgeted expenditure for 2019 had increased by 30% as compared to 2018. Later the government discovered that they cannot execute the budget as a result the county's budget was reduced. Discuss the effects for the reduction. (6 marks)
- (d) Discuss the Wagner law theory of public expenditure. (4 marks)

QUESTION TWO

- (a) Distinguish between public and private finance. (6 marks)
- (b) A section of Kenyans have decided not to pay tax to the government by using certain loopholes the government later found that they were evading tax and thus they were legally punished. Discuss the effects of this tax evasion to the Kenyan economy. (7 marks)
- (c) The budgeted expenditure for 2022 will increase because of the election as compared to this year. Discuss the reasons for the growth in public expenditure. (7 marks)

QUESTION THREE

- (a) Explain the conditions that can result in the removal of the controller of budget from office. (6 marks)
- (b) There are certain principles that must be included in the tax system in order to make the Kenyan tax system optimal. Discuss these principles. (8 marks)
- (c) The cost of living in Kenya is very high due to inflation and the pandemic that is affecting the whole world. The country has decided to employ the monetary policy to reduce the burden of living to its people. Explain the role played by the monetary policy. (6 marks)

QUESTION FOUR

- (a) Explain the functions of the office that is in charge of equitable sharing of revenues to the national and the county governments. (8 marks)
 - (b) With the aid of a diagram, discuss the maximum social advantage and its assumptions. (7 marks)
 - (c) Explain the reason why the government needs a budgetary control system. (5 marks)
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