

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THARAKA CAMPUS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 335: PUBLIC FINANCE

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 06/08/2019

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions

QUESTION ONE

- (a) There has been a phenomenon increase in public expenditure over the years. Explain the effects of increased government expenditure on an economy. (8 marks)
- (b) The Laissez Faire Philosophy is mainly concerned with the operations of treasury, which should not interfere with the private sector of the economy. The activities of a Fisc should only be kept to a bare minimum. Give relevant examples to explain this statement. (8 marks)
- (c) Distinguish between the following concepts.
- (i) Public good and private good (4 marks)
 - (ii) Bouyancy of Tax and Base of a Tax (2 marks)
 - (iii) Ability to pay and equity (2 marks)
- (d) Explain the objectives of taxation in a developing county. (6 marks)

QUESTION TWO

- (a) “The best system of public finance is that which secures the maximum social advantages from the operations involved.” Discuss. (8 marks)
- (b) Explain kinds of public expenditure. (6 marks)
- (c) Explain the ways in which the ability to pay theory of taxation differ from the theory of benefit. Highlight the problems that are encountered in implementing each of these tax system. (6 marks)

QUESTION THREE

- (a) Like any other economic unit, a government needs funds to finance its activities. Explain FOUR various types of receipts that Kenya sources its finance. (8 marks)
- (b) Explain any four cannons of public expenditure. (8 marks)
- (c) Define the term public debt. (4 marks)

QUESTION FOUR

- (a) Explain the effects of increased government borrowing on an economy. (8 marks)
 - (b) Discuss the factors which determine the borrowing level of a country. (5 marks)
 - (c) Distinguish between market and non-market external effects. (7 marks)
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