

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
ODEL**

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE

BCOM 335: PUBLIC FINANCE

STREAMS: Y3S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 4/12/2019

8.30 A.M – 10.30 A.M

INSTRUCTIONS

Answer question one and any other two questions

QUESTION ONE

- (a) Mentala plastics company have ben dumping in the local waste centre unusable chemicals every year. The residents of a hereby estate have started complaining of bad oduor enamanating from the company and their health is affected. As a public finance student, explain the ways in which these externalities can be overcome. [8 marks]
- (b) Explain the difference of public and private finance. [6 marks]
- (c) One school of thought argues that regressive tax system should be applied since it encourages savings in the country while the other school of thought emphasized that progressive tax system should be applied compared and contrast the two thoughts. [10 marks]
- (d) Explain the importance of members of public remitting tax to the Kenyan economy. [6 marks]

QUESTION TWO

- (a) Discuss the reasons why the government of Kenya borrows money internally and externally and what are the effects to the economy. [10 marks]

- (b) Describe the theories that explain the increase in public expenditure every financial year. [10 marks]

QUESTION THREE

- (a) During the electioneering year (2017) the inflation rate rose to 10% and therefore fiscal policy was employed. Explain the role played by fiscal policy. [10 marks]
- (b) Explain the various elements that the cabinet minister for finance considers when making the Kenyan budget estimates during each financial year. [10 marks]

QUESTION FOUR

- (a) Discuss the criteria and factors that the commission on revenue allocation considers in allocation of equalization funds to marginalized areas. [10 marks]
- (b) Highlight the functions of the controller of budget office. [6 marks]
- (c) Explain the term maximum social advantages and its assumptions. [4 marks]
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