

**CHUKA**



**UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**EMBU CAMPUS**

**EXAMINATION FOR THE AWARD OF DIPLOMA IN LEADERSHIP AND PUBLIC ADMINISTRATION**

**LAPA 0261: FUNDAMENTALS OF PUBLIC FINANCIAL MANAGEMENT**

**STREAMS:**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 12/04/2018**

**2.30 P.M. – 4.30 P.M.**

**INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.

**QUESTION ONE**

- (a) Distinguish between the following concepts.
- |   |           |
|---|-----------|
| (i) Public good and private good.   | (2 marks) |
| (ii) Exclusion and rivalry.   | (2 marks) |
| (iii) Public sector borrowing requirement and the public sector debt repayment. | (2 marks) |
| (iv) Ability to pay and equity.   | (2 marks) |
- (b) With the help of an educational project distinguish between;
- |   |           |
|---|-----------|
| (i) Direct or indirect benefits and costs.      | (4 marks) |
| (ii) Tangible or intangible benefits and costs. | (4 marks) |
| (iii) Final or intermediate benefits and costs. | (4 marks) |
| (iv) Real or pecuniary benefits and cost.       | (4 marks) |
- (c) Explain the ways in which the ability to pay theory of taxation from the theory of benefit. Highlight the problems that are encountered in implementing each of these tax system.  
(4 marks)

**QUESTION TWO**

- (a) Explain why there is a need for a fiscal policy to stabilize an economy. (10 marks)
- (b) Explain the principles of government expenditure. (10 marks)

**QUESTION THREE**

- (a) Explain any five cannons of public expenditure. (10 marks)
- (b) There has been a phenomenon increase in public expenditure over the years. Explain the effects of increased government expenditure on an economy. (10 marks)

**QUESTION FOUR**

- (a) Define the term public debt. (2 marks)
  - (b) Explain the effects of increased government borrowing on an economy. (8 marks)
  - (c) Explain four types of debts in a country. (5 marks)
  - (d) Explain the factors which determine the borrowing level of a country. (5 marks)
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