

**CHUKA**



**UNIVERSITY**

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**UNIVERSITY EXAMINATIONS  
EMBU/THARAKA**

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

**BCOM 335: PUBLIC FINANCE**

**STREAM:**

**TIME: 2 HOURS**

**DAY/DATE: MONDAY 13/08/2018**

**11. 30 A.M – 1.30 P.M**

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**INSTRUCTION:**

- **Answer question one and any other two**

1. (a) Bohala kingdom is faced with the problem of balancing its income and expenditure. The advisor to the king has set up a committee to formulate policies that will help solve this problem as a member of the committee.
  - (i) Describe which policy can be used. [2marks]
  - (ii) Discuss the role of this policy to a country's economy. [8marks]
  - (b) Discuss the scope of public finance. [8marks]
  - (c) Discuss the reasons why the government should be involved in the revenue collection and expenditure. [6marks]
  - (d) Explain any 3 sources of public revenue. [6marks]
2. (a) The government of a certain country has decided to increase revenue collection so as to also match its proposed increase in expenditure for strategic plan 2020 – 20-30.
  - (i) Discuss 5 elements of increasing tax as a means of revenue collection. [10marks]
  - (ii) Explain 5 demerits for growth in expenditure. [10marks]
3. (a) The use of public debt doesn't always head to bad effects in the economy. Giving reasons justify this statement. [8marks]

- (b) Explain the functions of public finance. [8marks]
- (c) Highlight the limitations of budgets. [4marks]
4. (a) A good tax system is one that eases the burden of the tax payer. Discuss 5 principles of good tax system. [10marks]
- (b) Describe the different forms of externalities. [6marks]
- (c) Outline the functions of commission on revenue allocation. [4marks]
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