

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

**THIRD YEAR 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 11/4/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTION: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) Esirachi community is adversely affected as a result of pollution caused in a nearby river by Msituni Company. The leader of the community has come to you a public finance student to seek advice on ways to solve the problem caused by pollution. State and discuss solutions to this problem. [8 marks]
- (b) Describe the impact of tax evasion to a country's revenue collection. [8 marks]
- (c) The government of Kenya uses progressive tax system for revenue collection. Explain why this tax system is applicable in Kenya. [8 marks]
- (d) Using a diagrammatic representation, explain the concept of maximum social advantage. [6 marks]

QUESTION TWO

- (a) Discuss the impact of public debt to the Kenyan economy. [6 marks]
- (b) The budgeted expenditure for a certain country in the year 2014 increased by 30%. Discuss what will the consequences for the increased expenditure. [8 marks]
- (c) Describe the function of public finance. [6 marks]

QUESTION THREE

- (a) Discuss how the government spends the revenue collected by the revenue authority. [8 marks]
- (b) Explain the role of fiscal policy in ensuring economic stability of a country.[6 marks]
- (c) Explain the reason why the government needs to plan for its income and expenditure. [6 marks]

QUESTION FOUR

- (a) Using an example, distinguish between public good and private good. [5 marks]
 - (b) Describe the cannons of taxation. [5 marks]
 - (c) The government appoints a commission that is in charge of distributing revenue collected. Besides this function, describe other functions of this commission.[5 marks]
 - (d) Describe the advantages of practicing budget control to an organization. [5 marks]
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