

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE, BACHELOR OF COOPERATIVE MANAGEMENT & BACHELOR OF PROCUREMENT AND LOGISTICS MANAGEMENT

BCOM 335: PUBLIC FINANCE

STREAMS: BCOM, BCOP, BPLM (Y3S2)

TIME: 2 HOURS

DAY/DATE: TUESDAY 11/04/2023

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE

- (a) In June last year the cabinet minister read the budget and the most beneficiary of the budget was the education sector. Explain why the education sector allocation was increased. [8 marks]
- (b) There is proposal by the new government to compel all those people who evaded taxes to pay by negotiating with the tax authority on the payment plan. Discuss the effects of tax evasion to the Kenyan economy. [8 marks]
- (c) Ali Mubarak is an employee of Safaricom and owns a textile industry that manufactures local police uniforms. The textile industry gets its machinery from China to manufacture clothes. Ali Mubarak wants to buy a land to expand his textile industry and thus his colleague has agreed to sell him and transfers the legal documents of ownership to him. From this story discuss the different types of taxes citing examples from the story. [8 marks]
- (d) Differentiate between public and private finance. [6 marks]

QUESTION TWO

- (a) The new government wants to reduce the budget from the previous regime. Explain the reasons for the budget reduction. [6 marks]
- (b) Due to the Russian war crisis and post-election tension, the inflation rate in the country rose to 9.6% as a result other government will be forced to reduce the inflation rate so that Kenyans will not experience the heavy burden of spending brought about inflation by coming up with monetary policy. Explain the challenges encountered when using monetary policy to reduce inflation. [6 marks]
- (c) For budgeting to be effective and efficient there are certain cannons that guide the preparation of the budget. Discuss [8 marks]

QUESTION THREE

- (a) The Kenyan government has an outstanding debt of 9.7 trillion explain the different types of debt the government has and the effects of this debt to the Kenyan economy. [10 marks]
- (b) Parliament is required to oversight the management of public finance. Describe the mandate of the following committees. [10 marks]
- (i) Public accounts committee (PAC)
 - (ii) Public investment committee (PIC)

QUESTION FOUR

- (a) Discuss the restraints that can limit the government from increasing its expenditure [6 marks]
- (b) Principles and framework of public financial management in Kenya is based on the constitution of Kenya. Explain what constitutes this framework. [8 marks]
- (c) Explain the mandate of the commission of revenue allocation. [6 marks]
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