KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

SPECIAL EXAMINATION

1st August, 2022
Time: 11.30am –1.30pm

KFI 404   - PUBLIC FINANCE

INSTRUCTIONS TO CANDIDATES

ANSWER **QUESTION ONE (COMPULSORY)** AND **ANY OTHER TWO** QUESTIONS

QUESTION ONE (30 MARKS)

a)   Kiriri Women's University of Science and Technology Company Limited faces marginal cost function given by $MC = 0.2Q$ and it faces a perfectly competitive price of Shs. 40 for its output.
REQUIRED:
i).   Calculate the Company's competitive output level.   **(4mks)**
ii).   Given that the organization is exerting a negative externality and its social marginal cost of production is estimated to be $MC = 0.4Q$. If market price remains the same at Shs. 40, calculate the socially optimal level of production for this organization.   **(4mks)**
iii).   If the government imposes an excise tax to bring about optimal level of production, calculate the level of tax to be imposed in such a case.   **(4mks)**
iv).   How much tax revenue would the government raise in this situation fromKiriri Women's University of Science and Technology Company Limited.   **(3mks)**
v).   Use an illustration to present **(i) – (iv)** case above.   **(3mks)**
b)   Explain with help of examples, any four canons of a good budget.   **(4mks)**
c)   Using diagram explain the model of efficient allocation of public goods.   **(8mks)**

QUESTION TWO (20 MARKS)
a)   With the help of appropriate policies discus the budgetary functions of the government.
                                                                                                                          (12mks)
b)   Explain, how the following techniques are applied in the preparation of the budget for the government: **(8mks)**
    i).   Zero Base Budgeting
    ii).   Performance and programme budgeting system (PPBS)

QUESTION THREE (20 MARKS

a) Discuss any four factors that affect the shifting of tax burden. **(8mks)**

b) The goal of Public Finance is to understand the proper role of the government in the economy. Why should the government intervene in the economy? **(12mks)**

QUESTION FOUR (20 MARKS)

The government is planning to construct a motor way connecting two busy towns in the county of Nairobi. The planner has consulted you as specialist in the evaluation of public projects. Identify the following benefits and costs. **(20mks)**

QUESTION FIVE (20 MARKS)

a) Using relevant examples, explain the determinants of public sector borrowing in Kenya

(10mks)

b) Explain any **five** methods that a government can use to repay its debts.

(10mks)