KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2024/2025ACADEMIC YEAR
FOURTH YEAR, SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 6th December, 2024
Time: 8.30am –10.30am

KFI 2404   - PUBLIC FINANCE

INSTRUCTIONS TO CANDIDATES

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

QUESTION ONE (30 MARKS)

a) Kenya, like many developing countries, has experienced significant challenges in managing its public debt. The country's debt has been increasing rapidly in recent years, driven by a combination of factors such as infrastructure investments, a growing budget deficit, and the impact of COVID-19 on the economy. Describe three measures that the Kenyan government has implemented to address the challenges.

(6 Marks)

b) Explain four categories of public finance as articulated by Prof. Dalton.

(4 Marks)

c) Briefly explain three methods of debt management.

(3 Marks)

d) Explain any four the sources of public revenue   .

(8 Marks)

e) Issue has been raised on the fact that the price mechanism alone cannot perform all economic functions in an economy. The need of the role of the government in resource allocation is brought about by the defects of price mechanism. Discuss any four Government's roles in the resource allocation.

(8 Marks)

f) Define the meaning of Public Expenditure.

(1Mark)

QUESTION TWO (20 MARKS)

a) Discuss any five major points of distinction between private and public finance.

(10 Marks)

b) Revenue generation may be hindered by many problems at the state or county government in Kenya. Discuss

(6 Marks)

c) Write short notes on;

   i) The Doctrine of Laissez Faire

(2 Marks)

   ii) The Ballot Box Theory

(2 Marks)

QUESTION THREE (20 MARKS)

a) The Kenyan taxes are categorized into two broad categories; direct and indirect taxes. Highlight any two examples of direct and indirect tax.

(2 Marks)

b) Explain four reasons for growing expenditure in Kenya.

(8 Marks)

c) Differentiate between Sinking Fund and Serial Bond Redemption.

(4 Marks)

d) Explain any three causes of market failure

(6 Marks)

QUESTION FOUR (20 MARKS)

a) Demonstrate three possible solutions to the free rider problem

(8 Marks)

b) Explain the resource allocation in different types of economic system.

(6 Marks)

c) Highlight three techniques through which the government may finance its budgetary deficits

(6 Marks)

QUESTION FIVE(20 MARKS)

a) A tax system adheres to certain principles in order to achieve certain objectives. Discuss.

(8 Marks)

b) Discuss the various sources of public debt; why is there need for it and how does public debt differ from that of private debt.

(8 Marks)

c) State and explain four canons of Public Expenditure.

(4 Marks)