



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS MAY - AUGUST 2023 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCFI 304

COURSE TITLE: PUBLIC FINANCE

DATE: 17 AUGUST 2023

TIME: 8.00 AM -

11.00 AM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

SECTION A: COMPULSORY

Question One

The Kenyan Constitution 2010 gave rise to County Government with separate roles and responsibilities different from the roles performed by the National Government.

Required.

- a) In your opinion discuss three benefits the Public gets through the creation of County Government and the role played by the entity **[6 marks]**
- b) Explain four classification of taxes **[8 marks]**
- c) Discuss the Principle of Maximum Social benefit as used in Public Finance and its assumptions **[8 marks]**
- d) Discuss four major function of public finance in Kenya and Critic on whether the Government has been able to achieve the function in the current Kenyan situation. **[12 marks]**
- e) Differentiate between Public Finance and Private Finance **[6 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Every year, the Government embarks on preparation and presentation of the next financial year budget. Elaborate on the significance of budgeting in Kenya **[10 marks]**
- b) The 2023 Finance bill, proposes certain tax reforms including an increase in the Vat tax levied on fuel from 8% to 16%. There is also the proposal to increase NHIF levy as well as introduction of the housing levy currently capped at 3% of gross salary of an individual. Explain the implication of these levies and taxes once imposed in the economy **[10 marks]**
- a)

Question three

The Government has continuously engaged in borrowing to finance its deficit position in the budget process. The debt levels are expected to surpass to grow with measures already in place to increase the debt ceiling in the Country

Required

- a) Explain four negative consequences of high debt levels in Kenya **[10 marks]**
- b) In your opinion does the Country benefit from Government increased borrowing **[6 marks]**
- c) Differentiate between the two classification of debt **[4 marks]**

Question Four

- a) Explain four reasons as to why the Government is involved in production activities in the Economy **[8 marks]**
- b) Discuss six ways in which the government can control the level of inflation rates in the country **[12 marks]**

Question five

- a) Discuss five factors that can affect the amount of tax a government can collect from the country citizens **[10 marks]**
- b) For a tax system to be optimum, it must meet certain principles. Explain five such principles of an optimum tax system **[10 marks]**