



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY - APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCFI 304

COURSE TITLE: PUBLIC FINANCE

DATE: APRIL 2025

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** 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

- a) Public finance is the management of a country's revenue, expenditures, and debt load through various government and quasi-government institutions. A country's financial position can be evaluated in much the same way as a business' financial statements. Discuss five main components of public finance as studied in this course. **[10 Marks]**
- b) Describe the concept of budgeting in a government and explain the three main types of government budget. **[10 Marks]**
- c) Government policies are required in Market economies to achieve certain goals. Elaborate any five microeconomic and macroeconomic objectives of the government. **[10 Marks]**

SECTION B: ANSWER ANY TWO QUESTIONS

Question Two

- a) Discuss five benefits the Government seeks to achieve when it lays out a budget for the Country each year. **[10 Marks]**
- b) Explain five benefits of capital budgeting in public sector. **[10 Marks]**

Question three

- a) Taxation is the process of imposing compulsory contribution on the private sector to meet the expenses which are incurred for a common good. The functions of taxation can be discussed from the activities of the government it is meant to achieve. Explain any five functions of taxation. **[10 Marks]**
- b) The Government resorts to borrowing in the event that the country's expenses outweigh the national revenue. Explain the consequences of borrowing funds by the Government. **[10 Marks]**

Question Four

- a) Apart from borrowing funds explain five other ways in which the Government can raise finances to advance its activities in a Country. **[10 Marks]**
- b) The need for Capital Budgeting arises in public and other Not For Profit (NFP) organizations because it is not always possible to find sufficient revenues to accommodate all the capital needs. Define a government bond and explain the three categories of long term bond. **[10 Marks]**

Question five

- a) Distinguish between fiscal policy and monetary policy. **[4 Marks]**
- b) A tax is described as a necessary evil in a country. Discuss any four negative effects of taxation on the economy. **[8 Marks]**
- c) Describe the meaning of capital budgeting and explain any three benefits of capital budgeting. **[8 Marks]**