



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION**

BUSIA LC

COURSE CODE: AEC 402

COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY

EXAM VENUE: STREAM: BBA

DATE: EXAM SESSION:

TIME: 2.00 HOURS

INSTRUCTIONS:

1. This paper has a total of five (5) Questions.
2. Answer three (3) Questions only.
3. Question **one** is **Compulsory**

Question 1(compulsory)

- a) Explain the concept of public finance. **(4 marks)**
- b) Discuss the relevance of “Pareto improvement” in a mixed economy. **(8 marks)**
- c) Distinguish between public and private finance in terms of similarities and differences. **(10 marks)**
- d) Highlight four justifications for public sector finance in a competitive market economy. **(8 marks)**

Question 2

- a) Discuss four major fiscal functions of the public sector finance in Kenya **(12 marks)**
- b) Identify and explain four sources of public finance **(8 marks)**

Question 3

Capital budgeting is equally important in public sector finance as it is in private sector finance.

- a) Examine five benefits of capital budgeting in the public sector. **(10 marks)**
- b) Evaluate the usefulness of Cost Benefit Analysis for appraisal of public investment proposals. **(10 marks)**

Question 4

- a) Examine the causes of growth of public expenditure in modern states **(10 marks)**
- b) Explain five canons (principles) of public expenditure **(10 marks)**

Question 5

- a) The goodness of a tax system is measured in terms of a number of principles. Discuss any five principles upon which a tax system should be formulated. **(10 marks)**
- b) Differentiate between the following types of public debts **(10 marks)**
 - i. Voluntary and compulsory debt
 - ii. Funded and unfunded debt
 - iii. Productive and unproductive debt
 - iv. Redeemable and irredeemable debt
 - v. Internal and external debt