



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**4<sup>TH</sup> YEAR 1<sup>ST</sup>. SEMESTER 2018/2019 ACADEMIC YEAR**  
**KISII CAMPUS-PART TIME**

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**COURSE CODE: AEC 402**

**COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY**

**EXAM VENUE:**

**STREAM: (BBA) YEAR 4 SEM 1.**

**DATE:**

**EXAM SESSION: JAN –APRIL 2019**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

**QUESTION ONE:**

- a) Discuss the similarities between public finance and private finance. ( 5 Marks)
- b) Explain the term fiscal policy and monetary policy in as far as public finance and fiscal policy is concerned. (6 marks)
- c) Discuss the economic effects of budget deficit in the country's economy like Kenya. (5 Marks)
- d) Discuss the role of public finance in a country's economic development. ( 8 Marks)
- e) Explain the conditions under which the Government borrowing can be acceptable. ( 6 Marks)

**QUESTION TWO:**

- a) Discuss the main roles of public sector in the economy. (10 marks)
- b) The public debt may be for a short period, for example treasury bills or it may be for a long period, for example a loan taken for twenty or thirty years. Explain the methods of public debt redemption. (10 Marks)

**QUESTION THREE:**

- a) County governments are expected to establish a taxation system as a method of revenue collection. Highlight five principles of taxation that county governments should adhere to. (10 marks)
- b) Explain roles of government in public service provision. (10 Marks)

**QUESTION FOUR:**

- a) Discuss five Demerits of direct tax. ( 10 Marks)
- b) Sector hearing forum is a key event in the Medium Term Expenditure Framework (MTEF) calendar. Highlight five reasons of having such forum for budget rationalization. (10 Marks)

**QUESTION FIVE:**

- a) Discuss the principles of public expenditure. ( 10 Marks)
- b) The report of the auditor general for 2012/2013 raises concern of increased allocation of recurrent expenditure by county government beyond the 70% as required by the Financial Management Act of 2012. Highlight FIVE reasons that may justify the allocation of more money towards development expenditure as opposed to recurrent expenditure (10 Marks)