



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE

BFI 4305: PUBLIC FINANCE

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Two printed pages

QUESTION 1 (Compulsory)

- a) The basic principles of Public Finance are the same as those of a family budget. Explain this statement and briefly discuss the importance of Public Finance in recent times. **(15 marks)**
- b) Give the principal sources of income and the main items of expenditure of the government. What change, if any, would you wish to suggest. State your reasons. **(15 marks)**

QUESTION 2

Distinguish between private good and public good, stating clearly their desirable characteristics.

(20 marks)

QUESTION 3

- a) Discuss the **TWO** approaches to taxation as advanced by Adam Smith. **(10 marks)**
- b) Briefly discuss the main principles of taxation. **(10 marks)**

QUESTION 4

Public expenditure can be classified according to the macro-function at which it is directed. Discuss. **(20 marks)**

QUESTION 5

Public loans in modern times are necessary to meet important situations:

- a) Briefly explain the main sources of public borrowing for the government. **(10 marks)**
- b) Briefly explain the need for public borrowing by the state as a source of revenue for its expenditure. **(10 marks)**