



**TECHNICAL UNIVERSITY OF MOMBASA**  
***Faculty of Business and Social Studies***

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN  
BACHELOR OF COMMERCE

**BFI 4306: PUBLIC FINANCE II**

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) A major goal in the study of Public Finance is to analyze the economic role of governments and the cost and benefits of allocating resources. Giving relevant examples, describe the allocation of resources between government and private use. **(15 marks)**
- b) Explain reasons why you may consider market failure a satisfactory argument for government intervention in the economy. **(15 marks)**

**QUESTION 2**

Using appropriate illustrations explain why state government must cut spending or increase taxes when revenues fall short of expenditure to achieve social welfare. **(20 marks)**

### QUESTION 3

Taxation can be considered as forced contribution imposed by the state on its citizens to support public expenditure. If not forced on people, no one will make initiative to contribute:

- a) Discuss the canons of taxation. **(10 marks)**
- b) Discuss the desirable characteristics of a good tax system. **(10 marks)**

### QUESTION 4

Describe any **FOUR** government support programmes for the old-age and low income earners in your country. What effect does it have on the social welfare of its citizens? **(20 marks)**

### QUESTION 5

Describe the budget execution at the National and Country governments. What change, if any, would you wish to suggest? Give reasons explicitly. **(20 marks)**