



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BFI 4130: PUBLIC FINANCE

SPECIAL/SUPPLEMENTARY EXAMINATIONS

SERIES: FEBRUARY 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) Briefly discuss any **THREE** tools that the government may use to stabilize a recession period in the economy. **(9 marks)**

- b) Briefly explain the following functions:
 - i) Allocation function
 - ii) Distribution function
 - iii) Stabilization function
 - iv) Regulating function. **(8 marks)**

- c) Public policy objectives are carried out through functions of the government. These functions can be in conflict of interest when being implemented. Briefly discuss **THREE** conflicts of interests and steps the government can take to control or avoid that conflict. **(13 marks)**

QUESTION 2

- a) Briefly discuss using real examples the uses of public finance in the growth and development of the Kenyan economy. **(10 marks)**
- b) Briefly discuss the following terms:
- i) Principle of maximum social advantage
 - ii) Pigouvian tax
 - iii) Wagners law
 - iv) Displacement effect
 - v) Externalities. **(10 marks)**

QUESTION 3

Briefly discuss any **TEN** reasons for the growth of public expenditure in any economy. **(20 marks)**

QUESTION 4

- a) For market failure to occur, certain conditions must exist under which the market will cease to be efficient. Briefly discuss any **FIVE** of these conditions. **(10 marks)**
- b) Briefly discuss any **TWO** types of public sector budgeting methods and in the discussion highlight the advantages and disadvantages of each budgeting. **(10 marks)**

QUESTION 5

- a) Differentiate and explain briefly the concepts of tax incidence and tax shifting. **(10 marks)**
- b) Briefly discuss the types of tax incidences. **(6 marks)**
- c) Briefly discuss the economic effects of public borrowing. **(4 marks)**