

PAPER B



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

BUSINESS ADMINISTRATION DEPARTMENT

COURSE/CLASS: BACHELOR OF BUSINESS ADMINISTRATION

UNIT CODE: BFI 4104

UNIT NAME: PUBLIC FINANCE 1

SERIES: MAY, 2016

PAPER DURATION: 2 HOURS

NO OF STUDENTS: 40

INSTRUCTIONS TO CANDIDATES:

Answer question ONE (Compulsory) and any other TWO questions.

Question One

- (a). Explain what you understand by the term public finance. (2 Marks)
- (b) Compare and contrast the followings:
- (i) Public Finance and Private Finance (6 Marks)
 - (ii) Wagner's law and Wiseman-Peacock hypothesis of increasing state activities. (6 Marks)
- (c) Argue for and against proportional taxations in developing countries. (10 Marks)
- (d) Explain the impact, incidence and the effect of a tax on a person. (6 Marks)

Question Two

- (a) Explain clearly the meaning of deficit financing of the national budget and to what extent can an economy be support by deficit financing. (8 Marks)
- (b) Highlight the similarities between the public and private expenditure. (6 Marks)
- (c) Distinguish between public goods and private goods. (6 Marks)

Question Three

- (a) Outline a critical analysis of the effects of taxation on distribution of income and wealth in an economy. (10 Marks)
- (b) Explain various reasons as to why the government is interested in the distribution of income. (10 Marks)

Question Four

(a) Describe **FIVE** economic functions of the government. (10 Marks)

(b) Define a tax and outline principles of taxation. (10 Marks)

Question Five

Giving relevant examples, examine the role of foreign aid in less developed countries (20 Marks)