



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF BUSINESS ADMINISTRATION

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF COMMERCE/BUSINESS ADMINISTRATION

BFI 4309 : PUBLIC FINANCE II

END OF SEMESTER EXAMINATIONS

SERIES: AUGUST 2019

TIME: 2 HOURS

INSTRUCTIONS:

You should have the following for this examination

-Answer Booklet, examination pass and student ID

– Attempt Question ONE and any other TWO Questions.

Do not write on the question paper

Question ONE

- (a) Highlight reasons why government should participate in economic activities **(10 Marks)**
- (b) Explain four ways of measuring the size of a public sector **(10 Marks)**
- (c) Distinguish between social goods and private goods **(10 Marks)**

Question TWO

- (a) Discuss the weaknesses of Coase Theorem as a solution to externality **(10 Marks)**
- (b) Examine weaknesses of Pigovian tax **(10 Marks)**

Question THREE

- (a) Using relevant examples explain the reasons for the growth of public expenditure **(12 Marks)**
- (b) Discuss **FOUR** canons of public expenditure **(8 Marks)**

Question FOUR

The following information represents community projects to be undertaken by the County Government of Lamu.

NAME OF PROJECT	TOTAL COST(C)	TOTAL BENEFITS(B)
K1	2000	4000
K2	1450	1750
K3	800	1040
K4	500	1250
K5	3000	4200
K6	1250	1250
K7	3000	2700

Required; Rank the projects based on

- (i) Absolute Cost Differentials **(10 Marks)**
- (ii) Benefit Cost Ratio **(10 Marks)**

Question FIVE

Explain the meaning of the following terms as used in public budgeting **(20 Marks)**

- (i) Incremental budgeting
- (ii) Zero-based budgeting
- (iii) Deficit budget
- (iv) Balanced budget
- (v) Performance and program budgeting systems
- (vi) Surplus budget