



TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

UNIVERSITY EXAMINATION FOR:

BCOM/BBA/BMSF

UNIT TITLE: PUBLIC FINANCE 1

UNIT CODE: BFI 4130

END OF SEMESTER EXAMINATION

SERIES: APRIL 2022

TIME: 2HOURS

DATE: APRIL 2022

Instructions to Candidates

You should have the following for this examination

-Answer Booklet, examination pass and student ID

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other **TWO** questions.

Do not write on the question paper.

QUESTION One

Mini Case Study

Public debt to hit Sh 9.8 trn next year

Kenya's public debt is projected to surpass the Sh 9 trillion limit by June 2023 even as concerns abound that it's continued spiraling possible detrimental effects on growth of the country's economy.

This further raises doubts on whether the country has the ability to repay the huge debt amid a slowdown in revenue growth. A report by the Parliamentary Budget Office (PBO)

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shows that by June last year, public debt stood at sh. 7.71 trillion, is projected to hit sh8.8 trillion in June this year and sh9.8 trillion a year later. The amount leaves only four per cent, about Sh 1.29 trillion to finance the fiscal deficit for the year 2020/21, which is sh929.7 billion and between sh. 775.8 billion and Sh 940 billion for the financial year 2022/23. PBO cautions that given the prevailing debt accumulation and debt service trends, the current debt ceiling of Sh9trillion enacted by parliament in November 2018 cannot hold. "Therefore, it may be subject for review in order to accommodate any further borrowing to fund expenditure requirements," reads the PBO report –Budget Options for 2022/23 and the medium term.

Based on the above case study, you are required to answer the following questions

- a) What is a public debt? **(4marks)**
- b) Suggest ways the government can reduce the current public debt outstanding. **(6marks)**
- c) Explain why spiraling public debt may have possible detrimental effects on the growth of the country's economy. **(10marks)**
- d) Explain the impact of fiscal policy on public finance management. **(10marks)**

QUESTION Two

- a) In 2004, the Kenya Government embarked on Economic Reforms and Governance Project sponsored by the World Bank to address corruption and poor public service delivery. Required: Itemize any Ten (10) Economic reforms in Kenya. **(10marks)**
- b) What are the key principles of public financial management success introduced by Government to curb such challenges in Kenya **(10marks)**

QUESTION Three

- a) Explain five roles played by the Treasury of any developing country **(10 marks)**
- b) Write a short note on the following:
 - i. Capital Expenditure Budget. **(2marks)**

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- ii. Flexible Budget. (2marks)
- iii. Periodic Budget. (3marks)
- iv. Performance Budget. (3marks)

QUESTION Four

- a) Discuss the challenges of Public Sector Revenue Management? (10marks)
- b) Explain the means of achieving efficient and effective Revenue Management in Kenya. (10marks)

QUESTION Five

- a) Explain Institutional Framework for Managing Public Finance Management. (10marks)
- b) What are the objectives of public finance management? (5marks)
- c) Discuss the macroeconomic consequences of fiscal deficits? (5marks)

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