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 4104

END OF SEMESTER EXAMINATION

SERIES: APRIL 2025

TIME: 2HOURS

DATE: APRIL 2025

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

Case Study: Tax revenue target down by Sh93bn on hard times, by Charles Mwaniki, Business Daily Nation Wednesday, February 5, 2025

The National Treasury has cut its tax revenue target for the current fiscal year by Sh 93 billion amid a tough economic environment for businesses and households, signaling higher borrowing by the exchequer and a risk of upward pressure on domestic interest rates. Treasury CS John Mbadi disclosed on Monday that the government revenue target (taxes) from Shs. 2.631 trillion to Sh 2.538 trillion. The borrowing target for the 2025/2026 fiscal year is also set for Sh 180 billion cut, from the earlier projection of Shs 3018 trillion to

Sh 2838 trillion. The current targets are themselves a result of a downward revision done via the supplementary Budget 1, 2024/25, which was passed in August to reflect the fiscal changes the government introduced after the Youth – led protest of June and July. In June 's 2024 Budget statement, the government had set an ordinary revenue target of Sh 2,917 trillion for the current fiscal year. Mr. Mbadi said the changed targets will reflect in the final version of the 2025 Budget Policy statement (BPS) that will be presented to parliamentary in coming days. The Treasury put out the draft of the budget document last month for public debate. "We have introduced reality in projections at the Treasury and revised our revenue projection downwards, where we had Shs 2, 632 trillion as projection for ordinary revenue, and have since revised that to Sh 2,538 trillion, "the CS said on Nation Media Group 's "Fixing the Nation 'show on Monday.

You are asked to answer the following questions: -

a) What's the impact of the Sh93bn revenue target cut on Kenya's debt and fiscal policy? (**10Marks)**
b) Why is the BPS important, and how does the revenue revision affect it? **(10Marks)**
c) What economic factors caused the revenue shortfall, and how do they affect fiscal policy effectiveness? (**10Marks)**

QUESTION Two

a) How can public finance professionals ensure that both PPBS and ZBB remain aligned with national goals and objectives? **(10Marks)**
b) How might advancements in technology influence the future application of PPBS and ZBB in public finance? **(10Marks)**

QUESTION Three

a) What is public debt? **(3Marks)**
b) How does it differ from private debt? **(7Marks)**

c) What are some common reasons why government borrow money? **(10Marks)**

QUESTION Four

a) What are the implications of the recent amendments to the Public Finance Management law in Kenya, particularly regarding the new debt anchor set at 55% of GDP? **(10Marks)**

b) How do ongoing challenges in aligning county budgets with national fiscal policies affect service delivery and governance at the county level in Kenya. **(10Marks)**

QUESTION Five

a) What is the role of central banks in managing a country's monetary policy? **(10Marks)**

b) How do expectations of future economic conditions influence current monetary policy decisions? **(10Marks)**