



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

**JANUARY – APRIL 2014 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CFI 313: PUBLIC FINANCE**

**Date: APRIL 2014**

**Duration: 2 Hours**

**INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions**

- Q1. a) Give a brief explanation of how Public Finance seeks to maximize the economic welfare of the society as a whole. **(10 marks)**
- b) Giving the meaning of externalities, highlight the reasons of provision of public goods and positive externalities. **(10 marks)**
- c) State the crucial role of a public debt in the development of a country's economy. **(10 marks)**
- Q2. a) How does government efficiency and equity ensure maximum social advantage of provision of public goods? **(10 marks)**
- b) Why is market mechanism not used in the public sector and why the choice of shadow prices. **(10 marks)**
- Q3. a) Cite the use of logic of collective action in public choice as a means of decision making in public expenditure. **(10 marks)**
- b) Describe the general equilibrium of taxation in country and maximization of good of a tax. **(10 marks)**

- Q4. a) Determine some of the consequences of a bad public debt in an economy. **(10 marks)**
- b) Is it important for a government to invest in public undertakings? Give reasons giving examples. **(10 marks)**

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