



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA
A. M. E. C. E. A

GABA CAMPUS – ELDORET

MAIN EXAMINATION

JANUARY – APRIL 2023 TRIMESTER

SCHOOL OF BUSINESS

BACHELOR OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

CFI 313: PUBLIC FINANCE

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Date: April 2023

Duration: 2 Hours

Instructions: Answer Question ONE and any other TWO Questions

Q1.

- a) Clearly Explain THREE Similarities and THREE Differences Between Public Finance and Private Finance. **(3 Marks)**
- b) Jackson was employed by Ketraco Ltd since the year 2017 Jan. His starting monthly salary is as shown below

	Kshs.
Basic Salary	580,000
House Allowance	22.5% of basic Pay
Meal allowance	12,000
Transport allowance	14,000
Responsibility allowance	35,000
Car allowance	8.89% of the basic salary

He is a member of his organization provident funds of which he contribute 10% of his basic Salary towards this. His salary is reviewed at the rate of 7.87% per annum and his transport is reviewed after every two months at an annual rate of 13.65%.

Required;

Calculate his April 2021 tax payable and net pay **(8 Marks)**

c) KK Ltd is a company incorporated in Kenya. The realized the following in the year 2022

Sales	25,000,000
Purchases	23,000,000
Stock on Jan 1 st 2018	3,500,000
Return inwards	25,000
Return outwards	12,000
Utilities	350,000
Telephone and postage	18,000
Commission to sales	8.63% of sales

The company margin is always at 30%

Required;

Calculate the amount of tax assuming

- i) KK ltd is resident company **(3 Marks)**
- ii) KK ltd is a non-resident company **(3 Marks)**
- d) Citing any relevant examples, Clearly Highlight the Significance of Public Expenditure in a functional economy. **(5 Marks)**
- e) Discuss the General Effects of Public Debt on the Economy and Society. **(5 Marks)**
- f) Describe The Key Objectives of a Good Taxation System within an economy. **(5 Marks)**
- g) Clearly Explain the FOUR Functions of a National Budget. **(4 Marks)**

Q2.

- a) Distinguish between Direct and Indirect Taxes **(4 Marks)**
- b) Explain the difference between Proportional, Progressive and Regressive Taxation Structures **(6 Marks)**
- c) Discuss TEN Canons of Taxation that are available from Public Finance academic literature **(10 Marks)**

Q3.

- a) Describe the various classifications of Public Expenditure within a Government set-up **(5 Marks)**
- b) Why has there been a consistent growth in the level of Public Expenditure incurred by governments across many countries? Illustrate your response with relevant examples. **(7 Marks)**
- c) Discuss the general effects of public expenditure on a country's economy. **(8 Marks)**

Q4.

- a) Describe the Internal and External Burdens of Public Debt on a Country's economy. **(10 Marks)**
- b) Discuss TEN reasons why the Public Debt for various countries has sky-rocketed over time. **(10 Marks)**

END