



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

**A. M. E. C. E. A**

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**MAIN EXAMINATION**

**AUGUST - DECEMBER 2014 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**EVENING PROGRAMME**

**CFI 313: PUBLIC FINANCE**

**Date: DECEMBER 2014**

**Duration: 2 Hours**

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

- Q1. a) Assume you are a famous investor and given that there are three main different economic systems; which system would you prefer and why? **(10 marks)**
- b) Provide the **TEN** main differences between public and private goods. **(10 marks)**
- c) How could the government achieve fairness in the distribution of resources through the budget policy objectives? **(10 marks)**
- Q2. a) Show how the State could obtain non- tax revenue from the following sources:
- i) Royalties
  - ii) Services
  - iii) State agencies
  - iv) Loans
  - v) Deposals
- (10 marks)**

- b) What is the difference(s), if any between the following governmental activities:  
i) Nationalization of businesses and  
ii) Privatization of State owned enterprises **(10 marks)**
- Q3. a) The Kenya government has approved an over Kshs. 1.7 trillion for 2014/2015 national budget, state at least FIVE reasons why the public spending has been on the increase an year after. **(10 marks)**
- b) What is the effect of taxation on the following:  
i) Ability to work and save and  
ii) Desire to work and save. **(10 marks)**
- Q4. a) Explain the following concepts:  
i) Public debt management and  
ii) Public debt redemption. **(4 marks)**
- b) Give the **SIX** main reasons why the Kenya government might be justified to borrow funds? **(6 marks)**
- c) With the aid of a well labeled diagram explain how a monopolist might act as a price maker not taker. **(10 marks)**

**\*END\***