



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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

**MAIN EXAMINATION**

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**AUGUST - DECEMBER 2018 TRIMESTER**

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**REGULAR PROGRAMME**

**CFI 313: PUBLIC FINANCE**

**Date: DECEMBER 2018**

**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. **(6 marks)**
- b) Describe and Illustrate Prof. Dalton's Principle of Maximum Social Advantage, Highlighting its Assumptions and How the Point of Maximum Social Advantage is achieved ( You may use any relevant diagrams for illustration purposes). **(5marks)**
- c) Citing any relevant examples, Clearly Highlight the Significance of Public Expenditure in a functional economy. **(5marks)**
- d) Discuss the General Effects of Public Debt on the Economy and Society. **(5marks)**
- e) Describe The Key Objectives of a Good Taxation System within an economy. **(5marks)**
- f) Clearly Explain the FOUR Functions of a National Budget. **(4marks)**
- Q2. a) Distinguish between Direct and Indirect Taxes **(4 marks)**
- b) Explain the difference between Proportional, Progressive and Regressive Taxation Structures **(6marks)**

- 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 **(5marks)**
- 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 skyrocketed over time. **(10 marks)**
- Q5. a) Discuss the Rationale and the Significance of a Public Sector Budget. **(6 marks)**
- b) Explain FOUR principles that should be adhered to in the preparation of a good Public Sector Budget **(4marks)**
- c) Distinguish between a Balanced, Deficit and Surplus Budget and Highlight the various classifications of Public Sector Budgets that are operational within a government set-up **(6 marks)**
- d) What are the main challenges that are faced in the process of Public Sector Budgeting ? **(4marks)**

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