



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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MAIN EXAMINATION

JANUARY – APRIL 2019 TRIMESTER

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING AND FINANCE

REGULAR PROGRAMME

CFI 313: PUBLIC FINANCE

Date: APRIL 2019

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)**

END