



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

P.O. Box 972-60200 – Meru-Kenya

Tel: +254(0) 799 529 958, +254(0) 799 529 959, + 254 (0) 712 524 293,

Website: [info@must.ac.ke](mailto:info@must.ac.ke) Email: [info@must.ac.ke](mailto:info@must.ac.ke)

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## University Examinations 2023/2024

THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR  
OF BUSINESS ADMINISTRATION

### BFC 3336: PUBLIC FINANCE

DATE: APRIL 2024

TIME: 2 HOURS

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INSTRUCTIONS: Answer question *one* and any other *two* questions

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#### QUESTION ONE (30 MARKS)

- a) Budgetary rules exercise effective control over government entities in public spending and accountability

With reference to the above statement identify ways used by the national government to demand budgetary accountability by the government entities (10 marks)

- b) Citing major reasons, justify the key taxation policy guidelines based on classical canons of taxation (10 marks)
- c) Fiscal policy is an important public finance instrument critically examine the major instruments of fiscal policy applied by the government of Kenya (10 marks)

#### QUESTION TWO (20 MARKS)

- a) Governments around the world impose taxes to both citizens and non-citizens. Taxation is not favoured by most tax payers. Explain then why the governments impose taxes (10 marks)

- b) The government of Kenya has several government enterprises known as parastatals. There public enterprise have witnessed poor performance and other organizational weaknesses. Citing relevant examples explain the motivation behind the weakness (10 marks)

**QUESTION THREE (20 MARKS)**

- a) The government of Kenya requires huge financial resource to find capital and recurrent expenditures. Identify the key strategies employed by the government to raise government revenue. (10 marks)
- b) Once the budget has been prepared, presented and funds have been utilized the budgetary control measures are then executed to ensure compliance. You are required to itemize the essential features of budgetary controls in your country (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Cases of tax evasion and tax avoidance have been reported in the social media. What has not been explicitly is the distinction between the two terms. You are therefore required to critically analyse the two terms as used in public finance (10 marks)
- b) Governments are known to raise huge amounts of revenues. A question then arises as to “where does all the government money go”. In reference to Kenya explain the utilization of government funds. (10 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the core objectives of monetary policy in Kenya in the recent years (10 marks)
- b) Outline the major sources of public debt in a developing country (10 marks)