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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019, 2020 ACADEMIC YEAR
THIRD YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)**

KFI 404 - PUBLIC FINANCE

Date: 9th April, 2019
Time: 8.30am – 10.30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Explain in detail the two basic principles that distinguish public and private goods, giving example in each case. (6 Marks)
- b) Keynesian economists are in favor of government intervention in an economy while the classical call for a free market economic setup. Differentiate a command economy from a mixed economy. (5 Marks)
- c) Discuss four main causes of market failure. (8 Marks)
- d) Discuss the case for privatization. (7 Marks)
- e) Distinguish between productive and unproductive debt. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Differentiate the diffusion theory from the concentration theory of taxation. (8 Marks)
- b) In the first week of July 2015 the new Governor of the Central Bank of Kenya chaired his first monetary Policy Committee meeting. The committee raised the base lending rate in an effort to slow down the slide downwards of the Kenya shilling against the major world currencies particularly the US Dollar. This is a monetary policy tool. Assuming the slide downwards was the result of too much money in the economy discuss any fiscal policy measures that the government could have undertaken to address the problem. (12 Marks)

QUESTION THREE (20 MARKS)

- a) The Kenyan Budget was only Kshs997 billion in 2011/2012. It shot up to Kshs2.6 trillion in 2017/2018. Highlight the causes of the growth in public expenditure with special reference to the recent enacting and rolling out of the new Kenyan Constitution and the Vision 2030 Blue Print. (12 Marks)
- b) Discuss the burden of Public Debt in Kenya. (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the reasons why the government should intervene in Economic activities. (10 Marks)
- b) Compare and contrast public and private finance. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the Canons of Public Expenditure. (10 Marks)
- b) Using relevant examples distinguish between benefit and ability to pay theories of taxation. (10 Marks)