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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR  
FOURTH YEAR, SECOND SEMESTER EXAMINATION  
FOR THE DEGREE OF BACHELOR OF SCIENCE  
(BUSINESS ADMINISTRATION)

Date: 11<sup>th</sup> December, 2023  
Time: 2.30pm –4.30pm

**KAC 406 - PUBLIC SECTOR ACCOUNTING**

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) Discuss the three key budgetary objectives of a government. **(5 Marks)**
- b) Government assets are generally not insured. Discuss why this is so. **(3 Marks)**
- c) Differentiate between
- i) Virement and Appropriations in Aid. **(3 Marks)**
- ii) Paymaster General Account and General Account of Vote. **(3 Marks)**
- d) The following figures were extracted from the books of a given democratic country for the year ended 30<sup>th</sup> June 2022

	<b><u>Shs (billions)</u></b>
Development expenditure	880
Personnel emoluments	1200
Operations	500
Maintenance	320
Net estimate	2900
Drawings from exchequer	1600
Gross expenditure	2100
Actual Appropriations in Aid	600

**Required**

- ii) General Account of Vote **(5 Marks)**
- iii) The Exchequer Account. **(4 Marks)**
- iv) The Paymaster General Account. **(4 Marks)**
- v) Statement of assets and liabilities. **(3 Marks)**

**QUESTION TWO (20 MARKS)**

- a) Adolf Wagner postulated that public expenditure has a tendency to grow over time. With special reference to Kenya, discuss the reasons that have made public expenditure to grow since the year 2010. **(12 Marks)**
- b) The American economist Arthur Laffer came up with the Laffer curve proposing that there is an optimal tax rate for an economy. Discuss the strengths and weaknesses of his proposal. **(8 Marks)**

**QUESTION THREE (20 MARKS)**

- a) Discuss the key canons of public expenditure. **(8 Marks)**
- b) The people went to Samuel and said “make us a king to judge us like all the nations” Samuel tried to discourage them and said, “This will be the manner of a the king who will reign over you; he will take your sons and appoint them unto him for his chariots and to be his horsemen; and they shall run before his chariots.....And he will take your daughters to be his perfumes, and to be cooks, and to be bakers. And he will take your fields and your vineyards and your olive yards, even the best of them and give them to his servants..... He will take the tenth of your flocks; and ye shall be his servants. And ye shall cry out in that day because of your king whom ye shall have chosen.” 1 Samuel 8:5-18. The debate on whether there should be or there shouldn't be a government is older than Jesus.  
In view of the above, discuss the pros and cons of having a government with special reference to Kenya. **(12 Marks)**

**QUESTION FOUR (20 MARKS)**

- a) Discuss the pros and cons of a big public sector. **(8 Marks)**
- b) Discuss the key characteristics of public goods that make it prudent that they are provided by the government. **(7 Marks)**
- c) Discuss the prudence of doing cash accounting in government operations as opposed to accrual accounting. **(5 Marks)**

**QUESTION FIVE( 20 MARKS)**

- a) Differentiate between budgetary policy and monetary policy. **(6 Marks)**
- b) Discuss the concept of externalities in relation to goods produced and/or consumed in an economy. **(10 Marks)**
- c) Discuss the roles of the public accounts committee and the public investment committee. **(4 Marks)**