

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS (YR III SEM I / II (YR IV SEM II))

UNIT CODE: HCOB 2313

UNIT TITLE: FINANCIAL MANAGEMENT IN PUBLIC SECTOR

DATE: 3RD MAY, 2017

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Explain the concept of public as used in public finance (5 marks)
- (b) Describe the main features of progressive tax systems (5 marks)
- (c) Discuss the main limitations of budgetary control in the country (5 marks)
- (d) What are the public concerns over Government borrowing (5 marks)
- (e) List and explain FIVE key functions of Government (5 marks)
- (f) Explain the reason why organization need to budget for capital investments (5 marks)

QUESTION TWO

- (a) Explain FIVE principles of taxation (8 marks)
- (b) Differentiate between spill over cost/benefit (2 marks)
- (c) Clearly outline FIVE similarities and FIVE differences between private and public finance (10 marks)

QUESTION THREE

Income in an economy flows from one part to another whenever a transaction takes place. New spending generates new income which generates further new spending and further new income and so on. Spending and income continue to circulate around the macro economy in what is referred to as the circular flow of income. The circular flow of income, forms the basis for all models of the macro-economy, and understanding the circular flow process is key to explaining how national income, output and expenditure is created over time.

- (a) List and explain elements of circular flow of income (10 marks)
- (b) Explain the interdependence of public and private sector in circular flows of income (10 marks)

QUESTION FOUR

Public sector expenditure in Kenya has increased at a very fast rate in the last decade. This is partly as a default consequence of the government plan as well as due to factors beyond government control, this has challenged the government's revenue generating capacity and exerted pressure on the economic limits that supply this revenue

- (a) Discuss any FIVE key reasons for the increase in the public sector expenditure in the last decade (10 marks)
- (b) What are the objectives of public debt (5 marks)
- (c) List and explain the types of public debts (5 marks)