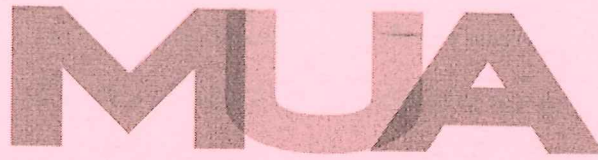


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

FIN 321 : PUBLIC FINANCE

DATE: 2ND APRIL 2025

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

PUBLIC FINANCE MANAGEMENT IN KENYA

Public finance plays a crucial role in the economic development of any nation, serving as the backbone for the provision of essential public services, infrastructure, and social programs. In the case of Kenya, the management of public finances has been a subject of significant scrutiny and reform over the years.

Kenya, has experienced substantial economic growth in recent years, driven by sectors such as agriculture, services, and technology. The government's ability to effectively manage public finances is pivotal for sustaining this growth and ensuring the well-being of its citizens. The fiscal landscape in Kenya is governed by the Constitution of Kenya 2010, which establishes principles of public finance management, accountability, and transparency.

Kenyan government has implemented various policies to govern public finances and promote economic stability. The Medium-Term Expenditure Framework (MTEF) is one such policy, aimed at enhancing budgeting efficiency and linking budgetary allocations to national development goals. Additionally, the Public Finance Management Act of 2012 provides a comprehensive legal framework for fiscal management, emphasizing transparency, accountability, and responsible financial governance.

Despite these policies, Kenya faces challenges in the effective management of public finances. One significant issue is corruption, which hampers the efficient allocation and utilization of public funds. Weak revenue collection systems and persistent budget deficits also pose challenges to the government's fiscal sustainability. Moreover, issues related to public debt management and contingent liabilities demand careful attention to prevent adverse effects on the overall economy.

In response to these challenges, the Kenyan government has undertaken several reforms to improve public finance management. The Integrated Financial Management Information System (IFMIS) has been implemented to enhance transparency and accountability in financial transactions. Additionally, efforts to strengthen anti-corruption institutions and mechanisms have been intensified to curb mismanagement of public funds. The government has also engaged in fiscal

consolidation measures to address budgetary deficits and reduce the reliance on external borrowing.

Effective public finance management is directly linked to the provision of public services and infrastructure. In Kenya, the impact of fiscal decisions on sectors such as health, education, and transportation is evident. Adequate funding is essential for maintaining and expanding infrastructure, ensuring quality education, and providing accessible healthcare services.

Required:

- a) Explain five ways that implementation of the Medium-Term Expenditure Framework (MTEF) has contributed to the alignment of budgetary allocations with national development goals in Kenya (10 Marks)
- b) Describe five primary challenges faced by the Kenyan government in managing public finances, and how recent reforms addressed these challenges (10 Marks)
- c) Highlight five ways that ineffective management of public finances in Kenya has impacted the delivery of essential public services and the development of critical infrastructure (5 Marks)

QUESTION TWO

- a) Examine five functions of National Social Security Fund (NSSF) (10 Marks)
- b) Discuss five factors that lead to increase in Government income and how they affect the economy (5 Marks)

QUESTION THREE

- a) Analyze five disadvantages of instruments used in domestic borrowing (10 Marks)
- b) Assess five limitations of borrowed loans (5 Marks)

QUESTION FOUR

- a) Explain five sources of County Government revenue (10 Marks)
- b) Illustrate five types of long term loans that developing nations can borrow (5 Marks)

QUESTION FIVE

- a) In the context of public finance, describe five challenges of national budgeting (10 Marks)
- b) Describe five types of budgets (5 Marks)

QUESTION SIX

- a) Describe five benefits of public sector accounting (10 Marks)
- b) In the context of public finance, explain five public sector accounting bases (5 Marks)