

The
Management
University
of Africa



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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

FIN 321 : PUBLIC FINANCE

DATE: 1ST APRIL 2026

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:

**PLANNING, BUDGETING, AND DEVELOPMENT PRIORITIES IN
DEVELOPING ECONOMIES**

Many developing countries rely on national development plans, public investment programmes, and annual budgets to guide socio-economic development. However, these governments face constraints such as limited fiscal space, political pressure, weak institutional capacity, and rising demands to align budgets with global commitments such as the Sustainable Development Goals (SDGs). At the same time, governments are expected to manage public assets efficiently to ensure value for money and long-term sustainability.

Required:

- a) Analyse the major challenges faced by governments of developing countries when formulating and implementing national budgets **(10 Marks)**
- b) Evaluate the significance of integrating Sustainable Development Goals (SDGs) into government budgeting processes **(10 Marks)**
- c) Assess the relevance of different asset management approaches in enhancing public sector efficiency in developing economies **(5 Marks)**

QUESTION TWO

Following concerns over misuse of public funds and delayed audit reports, a parliamentary oversight committee is reviewing the adequacy of public sector accounting practices. Various external stakeholders depend on public sector financial information for oversight, policy formulation, and decision-making.

Required:

- a) Appraise the usefulness of public sector accounting information to different external stakeholders in promoting transparency and accountability **(10 Marks)**
- b) Examine how different public sector accounting bases influence the quality of financial reporting and accountability **(5 Marks)**

QUESTION THREE

To finance persistent budget deficits, the Government of Kenya increasingly relies on domestic borrowing instruments. While this reduces exposure to foreign exchange risk, concerns have emerged regarding interest costs, debt sustainability, and private sector credit access.

Required:

- a) Assess the effectiveness of domestic borrowing instruments in financing government expenditure without undermining macroeconomic stability **(10 Marks)**
- b) Analyse the suitability of various categories of government loans for long-term fiscal sustainability **(5 Marks)**

QUESTION FOUR

Kenya's devolved system of government requires equitable sharing of national revenue between the national and county governments. Institutions such as the Commission for Revenue Allocation (CRA) are mandated to guide this process and promote fiscal responsibility.

Required:

- a) Examine the role of the Commission for Revenue Allocation in promoting fiscal equity and balanced regional development **(10 Marks)**
- b) Evaluate the factors contributing to the growth of government expenditure and their implications for fiscal discipline **(5 Marks)**

QUESTION FIVE

Governments depend on a mix of tax and non-tax revenue sources to finance public expenditure on infrastructure, social services, and economic development. However, limited revenue capacity and rising expenditure demands require strategic prioritisation.

Required:

- a) Analyse five sources of public revenue in Kenya and their contribution to government financing capacity **(10 Marks)**
- b) Appraise the objectives of public expenditure in advancing economic growth and social welfare **(5 Marks)**

QUESTION SIX

Midway through a financial year, a government experiences revenue shortfalls and unplanned expenditure pressures arising from economic shocks and emergency interventions. As a result, policymakers consider introducing a supplementary budget.

Required:

- a) Evaluate the role of budgeting as a tool for fiscal planning, control, and informed decision-making in the public sector **(10 Marks)**
- b) Justify the circumstances under which the approval of a supplementary budget may be appropriate **(5 Marks)**