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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR FOUR**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF ARTS AND SOCIAL SCIENCES**

**FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)**

**COURSE CODE: PSA 422**

**COURSE TITLE: PUBLIC FINANCIAL ADMINISTRATION**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 23/08/2021 TIME: 3.00-5.00 PM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of THREE (3) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

1. Public Participation is a terminology that has acquired “prominence” in the Socio-Political arena. It is enshrined in the Kenyan Constitution 2010 and it is mandatory that all decisions affecting the public have to be “all-inclusive.” With the aid of practical examples, explain the term Public Participation and its importance in Socio-Economic development in the country. (6 marks)
2. Distinguish between Public Debt and External Debt (2 marks)
3. Define the following terms as used in Public Finance and Administration:
4. Impact of a tax (2 marks)
5. Incidence of a tax (2 marks)
6. Capital Budget (2 marks)
7. Operational Budget (2 marks)
8. With the aid of examples, enumerate the main objectives of Budgeting in an Organization. (8 marks)
9. Using practical examples, explain the meaning of the term Public Awareness and its role in social development (4 marks)
10. Enumerate two key cannons of Public Expenditure (2 marks)

**QUESTION TWO**

“Kenya’s public debt burden is significantly huge, and currently stands at eight trillion Kenya shillings. The outbreak of Covid-19 in the country has seen the government borrow more to support its response to the health pandemic. The rate at which the Kenyan government is accumulating loans is alarming. According to the 2020 Budget Review and Outlook Paper, Kenya plans to add about one trillion Kenya shillings to its public debt mountain in the 21/22 financial year to fill up the widening budget hole due to the negative impacts of the Covid-19 pandemic.”

1. With the help of examples, explain the main reasons (causes) for the Kenya government borrowing. (10 marks)
2. Explain the term public debt management (2 marks)
3. Enumerate the key objectives of Public Debt Management (4 marks)
4. Public debt plays an important role in economic development of a Country. Explain the 3 avenues through which debt contributes to Economic Development (4 marks)

**QUESTION THREE**

“Public expenditure is the spending by a government on collective needs or wants such as pension, provision of infrastructure, etc. Throughout the 19 century, most governments followed laissez faire economic policies and their functions were only restricted to defending aggressions and maintaining law and order. The size of public expenditure very small. But now the expenditure of governments all over has significantly increased. In developing countries, public expenditure policy not only accelerates economic growth and promotes employment opportunities but also plays a useful role in in reducing poverty and inequalities in income distribution.”

1. What is Public Expenditure? (2 marks)
2. What are the main Causes of Increase in Public Expenditure? (10 marks)
3. What are the four Principles of Public Expenditure? (8 marks)

**QUESTION FOUR**

1. Write short notes on:
2. Long‐term Budget (2 marks)
3. Short Term Budget (2 marks)
4. Capital Budget (2 marks)
5. Operational/(Recurrent) Budget (2 marks)
6. Distinguish between Budgeting & Budgetary Control Processes (4 marks)
7. What are the limitations of Budgetary Control? (8 marks)

**QUESTION FIVE**

An Optimal Tax System is the one that maximizes social welfare of the parties involved individuals and the Government. It is that system that minimizes costs or distortions and maximizes returns/welfare while achieving the desired levels of redistribution and revenue.

1. Enumerate five (5) basic principles of an optimal tax system (10 marks)
2. Distinguish between Value Added Tax and Income Tax (2 marks)
3. Explain the role played by the National Assembly in the budget making process. (8 marks)