INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BPA
YEAR/SEM: YEAR 2/SEMESTER 2
COURSE CODE: FIN 2205
NAME: PUBLIC SECTOR FINANCE

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY

Question 1:

Uganda, a landlocked country in East Africa, with a population of approximately 45 million people, has seen notable improvements in its education and healthcare sectors over the past two decades. These sectors are fundamental to the development of the country, but despite economic growth, Uganda continues to face persistent challenges related to public sector finance, particularly the mobilization of domestic revenue, reliance on foreign aid, and achieving equitable delivery of public services.In the education sector, Uganda has made strides toward achieving universal primary education, with nearly all children enrolled in primary schools. However, the quality of education remains a significant concern, with schools in rural areas often underfunded, suffering from teacher shortages, and lacking adequate learning materials. While there has been some progress, the disparities between urban and rural education quality persist, with rural schools struggling to meet even basic standards.In healthcare, Uganda faces numerous challenges, including inadequate infrastructure, a shortage of trained medical professionals, and poor access to healthcare, especially in rural areas. Although progress has been made in reducing some preventable diseases, healthcare services remain insufficient, and the country still relies heavily on external funding to meet healthcare goals. The government allocates around 15% of its national budget to both education and healthcare combined, yet the financial resources are often insufficient to meet the increasing demand.Uganda’s financial

situation is compounded by difficulties in mobilizing domestic revenues. The country has a large informal economy, which remains largely untaxed, and weak tax enforcement. Additionally, Uganda's dependency on external assistance, especially foreign aid and loans, creates challenges in managing fiscal sustainability and public debt.

Required

a) Critically analyse the challenges Uganda faces in mobilizing domestic revenue for public sector finance. (10 marks)

b) How can Uganda address the issue of low tax collection, especially considering the large informal economy? (10 marks)

c) What strategies should be implemented to reduce dependency on foreign aid and increase domestic revenue for funding education and healthcare. (20marks)

Question 2:

The Secretary to the Treasury nominated you to attend a meeting at the African Union on Public sector Finance (PSF) reforms and risk management in the Public Sector. In the report that was submitted to the Secretary to the Treasury, there was a paragraph that caught the attention of the Secretary to the Treasury that read: "Despite countries implementing PFM reforms major challenges still remain. Progress made has been very uneven and a number of countries in Africa still suffer from poor management of resources. Lack of co-operation, complete and accurate information about government finances continues to be a major cause of concern and continues to impact on accountability and decision making by decision making policy makers." The paragraph also emphasized on the need for Governments to incorporate risk management into the strategic planning process, as a way of managing and reducing the risk to acceptable levels. It clearly pointed out that Government's risk-taking level (risk appetite) is a cardinal matter for risk assessment, i.e. the level of risks the Government entity is ready to accept before it deems necessary to take response measures. This is because the decision on measures is correlated to the degree of risk the Government entity accepts.

Required

a) What specific measures can African governments take to improve the management of public sector resources and ensure more consistent and effective PFM reforms? (10 marks)

b) How can governments ensure the availability of complete, accurate, and timely financial information to improve decision-making and accountability? (10 marks)

c) What role should risk management play in the formulation of public sector budgets and financial allocations? (10 marks)

d) What role should risk management play in the formulation of public sector budgets and financial allocations? (10 marks)

Question 3:

a) The concept of incidence of taxation has been variously described by different economists. Dalton for instance, consider incidence as the direct burden of tax on the person who ultimately pays it. Using examples discuss the factors that contribute to tax shifting **. (10marks)**

b) How can governments effectively balance fiscal policy decisions to promote both economic growth and the public interest, while ensuring the well-being of their citizens in a dynamic global economy?

(10marks)

SECTION B

ANWSER ANY THREE QUESTIONS

Question 1:

a) Distinguish between impact and incidence of taxation.
(5marks

b) Explain the factors influencing shifting.
(10marks

c) Discuss the theories of shifting.
(5marks

Question 2:

Discuss using examples the determinates of taxable capacity in your country. (20 marks)

Question 3:

While both public and private finance share fundamental principles of financial management, their distinct contexts, objectives, and stakeholders necessitate different approaches to decision-making, resource allocation, and risk management.

Required

Using examples distinguish between public finance and private finance.
(20marks)

Question 4:

A number of factors have caused the rising trend of public expenditure in modern times.

Required

Using example discuss the rising trend of public expenditure in your country. (20marks)

Question 5:

a)Discuss the factors which influence individual preferences for public goods.(10marks)

b)What era the main arguments for progressive system of taxation. (10marks)

Question 6:

a)Explain the main reasons for increase in public expenditure citing examples from your country.(15 marks)

b) Compare the merits of debt financing over income from taxation.

(5 marks)

Question 7:

a) Evaluate the Ugandan tax system based on canons of taxation.
(10marks)

b) Discuss the various methods used by the government in addressing market failure in your country.
(10marks)

Question 8:

A tax system is composed of both direct and indirect taxes. Since effects of direct and indirect taxes on production, distribution and consumption are separate and distinct, it is necessary to examine their merits and demerits.

Required

Using examples, discuss the merits of both direct and indirect tax.
(20marks)

Question 9:

Debt Management is a key component of Public Finance Management that enables the Government meets its financing needs at minimum costs and within acceptable levels of risk. One of the diagnostic tools that Government uses in managing its debt portfolio is to annually conduct a Debt Sustainability Analysis (DSA).

Required:

(a) Explain the sources of raising public debts in your country**.**
(10 marks)

(b) Discuss the various categories of public debts . (10 marks)

Question 10:

Discuss using examples the dissimilarities between public finance and private finance.
(**20marks)**

Question 11:

Examine using examples the scope and functions of public finance.
(10marks)

Critically evaluate the Marginal Social Advantage**.**

(10marks)

Question 12:

a) Differentiate between current and capital expenditure. (5marks)

b) Explain using examples how taxation affect the following;

a) Production(5marks)

b) Distribution(5marks)

c) Stabilization(5marks)