INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - AUGUST 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:

Finance in general means public finance as well as private finance. Public finance relates to the money-raising and income-expenditure functions of the government. Private finance refers to the income-expenditure phenomenon of an individual or private business firm. By private finance we mean the financial problems and policies of an individual economic unit. It is a convention to look into similarities and dissimilarities between the two so as to provide an analytical foundation for the decision-making aspects of public finance

Required. Discuss with examples the **six** similarities and **six** dissimilarities between the Public Sector Finance and Private Sector Finance. **(40 Marks)**

Question 2:

According to Dalton, the necessity of raising the public revenue follows from the necessity of incurring public expenditure. As the modern government has to perform several functions for the welfare of the people and these functions require huge amount of expenditure which can be financed only through public revenue. To Dalton, there are many sources of raising public revenues among others, is tax as a source of revenue, for example, Taxes on income and expenditure, Taxes on property and capital transactions, Taxes on commodities and services etc.

To Bastable a tax is a compulsory contribution of the wealth of a person or body of persons for the welfare of the public.

However, Adam Smith, stated that “the tax, which each individual is bound to pay, ought to be certain and not arbitrary. The time of payment the manner of payment the quantity to be paid, ought all to be clear and plain to the contributor and to every other person.” Adam Smith was also of the view that the government must also be certain of the amount which it derives from a particular tax.

Having read this story

(a) Describe the characteristics of a good tax system **(10 Marks)**

(b) Differentiate between direct tax and indirect tax? **(10 Marks**)

(c) Give and Explain the Advantages of Direct Taxes: (10 Marks)

(d) Mention at least five agencies involved in tax administration (10 Marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

(a). Define the term budgeting, and explain the four stages of budgeting preparation. **(10 Marks)**
(b). Examine the relevance of budgeting in both Public and Private Sector organizations. **(10 Marks)**

Question 2:

(a). Discuss the advantages and disadvantages of auditing in Public Sector **(10 Marks)**
(b). Discuss the need for Financial Administration in Public Sector Finance **(10 Marks)**

Question 3:

(a). Discuss the importance of a monetary policy to any developing country's economy. **(10 Marks)**
(b) What are the temporary measures of correcting balance of payments deficit by the Government? (10 Marks)

Question 4:

Write short notes on the following
(a). Public Revenue, **(5 Marks)**
(b). Public Expenditure, **(5 Marks)**
(c). Public Debt, (**5 Marks**)
(d). Public Debt Management**, (5 Marks)**

Question 5:

Describe the relationship between Public Administration and the following fields of study
(a) Economics (**5 Marks)**
(b) Politics **(5 Marks)**
(d) Sociology (**5 Marks)**
(e) Technology (**5 Marks)**

Question 6:

(a). What are the causes of balance of payments deficit? (5Marks)

(b). Under the Balance of payments what is Equilibrium?(**5Marks)**

(c). What are the economic effects brought by A balance of payments surplus to a country and her citizens: (**10 Marks)**

Question 7:

Another significant point of Public Finance is the satisfaction of social or collective wants and merit wants. Wants are divided under three heads:

(a) Private Wants:

(b) Social Wants or Collective Wants and

(c) Merit Wants

Explain the three above Wants. **(20 Marks)**

Question 8:

Public sector plays a fundamental role in the political and economic structure of a country. The public sector organisations consist of the followings; Give your understanding of the following bodies.

(a). Central government.

(b). Local authorities.

(c). Parastatals

(d). Charitable organizations. (20 Marks)

Question 9:

The main users of Public Sector Finance are;

(a). Parliament

(b). Government departments

(c). Taxpayers

(d). Voters

(e). Investors and Grantors

What are the needs of the above users of the public sector finance

(20 Marks)

Question 10:

Different Public Sector organizations adopt different accounting techniques. Some important techniques are;

(a). Budgetary Accounting

(b). Commitment Accounting

(c). Fund Accounting

Write short notes on each accounting techniques (20 Marks)

Question 11:

Public expenditure means those amounts which are spent by the government for different purposes.

The Public expenditure may be classified as;

a) Recurrent expenditure

b) Development expenditure

Explain with Examples the above classified expenditures (20 Marks)

Question 12:

Public Sector finance practices: The presentation, measurement, budgeting and interpretation of public funds to the users. The basis of accounting is divided into two:
(a)**.** Cash basis
(b). Accrual basis
How does the above practices work? **(20 MRKS)**