3

120

KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF PUBLIC POLICY AND ADMINISTRATION

APP 806: PUBLIC FINANCE AND ACCOUNTING

DATE: TUESDAY 22ND NOVEMBER 2016 **TIME: 5.30 P.M -8.30 P.M**

INSTRUCTIONS:

ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

(a) The word budget appears to have been first used in the 19 century while its legal definition can be traced back to French law in 1862. A budget can be defined as a financial plan, which outlines the major sources of revenue and how the money raised is to be used or shared amongst competing needs. At the national level, the budget is a comprehensive document that shows the governments' plans to mobilize revenues and how it intends to use the amount so raised, to finance various competing needs for the benefit of its citizens. While a national budget shares some functional similarities with personal and household budgets, the former is much more complex. Personal or household budgets are smaller, simpler and easier to prepare and manage since they are not subject to many claimants and do not involve any laws, procedures or regulations. The need and spread of accountability for such budgets is therefore limited.

Required:

(i) Explain four principles of a good Budget. (8 marks)

(ii) Explain the main stages in the budget process. (8 marks)

(b) The following information was extracted from books of a government entity for the year ended 30th June 2015

	Shs. Millions
Taxes	400
Depreciation and amortization	120
Transfers from other government entities	146
Wages, salaries and employee benefits	140
Other revenues	120
Supplies and consumables	60
Other expenses	56
General public services	124
Finance costs	120
Fees, penalties and licenses	100
Grants and transfers to other government entities	200

Required:

Statement of financial performance for the year ended 30th June 2015. (6 marks)

(c) In relation to Government Accounting explain briefly what is meant by the following terminologies:

(i) Non-discretionary and discretionary expenditures. (4 marks)

(ii) Appropriations-in-aid. (2 marks)

(iii) Paymaster General. (2 marks)

[Total - 30 marks]

QUESTION TWO

(a) The approved Estimates and Actual Expenditure details for vote of Ministry of Empowerment for the financial year 2014/2015 were as follows:

		Approved Estimates Sh.'000'	Actual Expenditure Sh.'000'
000	Personal Emoluments	246,560	195,040
50	House allowances	39,100	28,520
80	Passages and Leave Expenses	8,280	1,334
100	Transport Operating Expenses	32,200	27,186
110	Traveling and Accommodation Expenses	2,668	3,312
120	Postal and Telegram Expenses	9,200	6,624
190	Miscellaneous other Charges	34,960	33,764
196	Training Expenses	11,960	13,476
230	Purchase of Equipment	42,000	17,600
620	Appropriations-in-Aid	2,000	11,120 (Realised)

The Ministry made four equal withdrawals from the Exchequer in July 2014, October 2014, January 2015 and May 2015. In total the Ministry had withdrawn Sh.400,000,000 by the end of the 2014/2015 financial year.

Supplementary estimates authorized during the year were as follows:

		Sh.'000'
000	Personal Emoluments	12,000 (reduction)
196	Training Expenses	2,000 (increase)
620	Appropriations-In-Aid	8,000 (increase)

Required:

(i) Appropriation account for the year ended 30 June 2015 showing amount to be surrendered to exchequer. (8 marks)

(ii) Describe the traditional role of the Central Bank and thereafter consider its role in a changing and liberalized economy. (7 marks)

[Total: 15 marks]

QUESTION THREE

(a) What factors should a country take into account in designing its tax policy? Is it possible to accommodate all the factors? (7 marks)

(b) Describe the means which are available to the central bank for regulating the demand for, and the supply of money and credit. (8 marks)

[Total: 15 marks]

QUESTION FOUR

(a) Explain the role of parliament in the budgetary process. (4 marks)

(b) How does a budget deficit arise and what are its consequences? (4 marks)

(c) Faced with a budget deficit:

(i) State how to finance the deficit. (4 marks)

(ii) Give two effects of each alternative method of financing. (3 marks)

[Total: 15 marks]

QUESTION FIVE

Modern economies can be highly influenced by the way their budgets are frame worked.

Required:

(a) Clearly explain the role of budgetary management in economic development. (4 marks)

(b) Briefly explain the types of budgets. (3 marks)

(c) (i) Define taxation. (2 marks)

(iii) Clearly explain the principle functions of taxation. (6 marks)

[Total: 15 marks]