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**University Examinations 2015/2016**

THIRD YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE.

**BFC 3380: FINANCIAL MANAGEMENT IN PUBLIC SECTOR**

**DATE: AUGUST 2016 TIME: 2 HOURS**

**INSTRUCTIONS: -** *Answer question* ***one*** *and any other* ***two*** *questions*

**QUESTION ONE (30 MARKS)**

1. Kenyan constitution 2010 has outlined various measures to ensure that public funds are utilized prudently. Discus way in which the constitution can be used to protect public funds. (20 marks)
2. Discuss the advantages and disadvantages of external borrowing by the government. (10 marks)

**QUESTION TWO (20 MARKS)**

1. In Kenya domestic borrowing is an important source of budgeting and development financing, which compliments and occasionally substitutes for foreign aid and external debts funding. Explain the challenges the government faces in the management of domestic debts. (10 marks)
2. Explain five main principles that guides a national government when spending funds. (10 marks)

**QUESTION THREE (20 MARKS)**

1. Market failure is a situation where the market mechanism fails to allocate resources efficiently. Explain types of efficiency that an economy should achieve in order to avoid situation of market failure. (10 marks)
2. Explain how public expenditure influences the following;
3. Economic stability (2 marks)
4. Economic growth (2 marks)
5. Resource allocation (2 marks)
6. Wealth distribution (2 marks)
7. Production of goods and services (2 marks)

**QUESTION FOUR (20 MARKS)**

1. The presence of the state sector in the economy is justified on the ground of failure of unregulated market mechanism. Explain the role played by government in regard to provision of goods and services. (10 marks)
2. Discuss the various sources of public finance. (10 marks)

**QUESTION FIVE (20 MARKS)**

Discuss the role of the following institutions in regard to public finance

1. Parliament (4 marks)
2. Senate (4 marks)
3. Ethics and Anti -Corruption Commission (EAC) (4 marks)
4. Judicial system (4 marks)
5. Press (4 marks)