



**KENYATTA UNIVERSITY**  
**UNIVERSITY EXAMINATIONS 2015/2016**  
**SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF**  
**PUBLIC POLICY AND ADMINISTRATION**  
**APP 806: PUBLIC FINANCE AND ACCOUNTING**

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**DATE: Monday 4<sup>th</sup> April, 2016**

**TIME: 5.30 p.m - 8.30 p.m**

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**INSTRUCTIONS**

**Answer Question ONE and any other Two Questions**

**Question One**

- a) The state is auditing the Integrated Financial Management Information System (IFMIS) whose integrity was put to question after multi million shilling national youth service fraud. Finance Principal Secretary (PS) Kamau Thuge said the auditor general is almost done with the assessment of the system, scheduled to be fully rolled out in counties. “We are also looking at risk management on the system and here we are looking possibility of having triggers in place so that fraud can be detected before any funds are lost. This will be in addition to the audit trails already in place” he said. Parliament Public Account committee (PAC) visited the office of IFMIS infrastructure and operations.

**Required:**

- i) Explain Five benefits of IFMIS in managing of county and national funds of a government (10 marks)
- ii) List Five roles of Public Accounts Committee in Kenya (5 marks)
- b) The approved Estimates and Actual Expenditure details for vote of Ministry of Men and Love Affairs for the financial year 2014/2015 were as follows

		<b>Approved Estimates</b>	<b>Actual Expenditure</b>	
		Sh. '000'	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	Travelling 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 (Realised)		2,000	11,120

### **Required**

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 In total the ministry had withdrawn sh. 400,000,000 by the end of the 2014/2015 financial year.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

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

**Required:**

- a) Appropriate account for the year ended 30 June 2005 (4 marks)
- b) General Account of vote for the year ended 30 June 2005 (3 marks)
- c) Exchequer Account for the year ended 30 June 2005 (3 marks)
- d) Paymaster General (PMG) account for the year ended 30 June 2005. (2 marks)
- e) Statement of assets and liabilities as at 30 June 2005 (3 marks)

**(Total 30 marks)**

**Question Two**

- a) Clearly explain the meaning of deficit financing of the national budget. (4 marks)
- b) To what extent can an economy be supported by deficit - financing? (5 marks)
- c) Explain what fiscal policy entails (6 marks)

**(Total: 15 marks)**

**Question Three**

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

**Question Four**

- a) Outline the functions of taxation (5 marks)
- b) What are the possible disadvantages of a progressive income tax system? (5 marks)
- c) State and explain Adam Smith's canons of taxation. Give local example as appropriate in each. (5 marks)

**(Total : 15 marks)**

**Question Five**

- a) Many developing countries are currently faced with an ever increasing external debt. Clearly describe the possible causes of this indebtedness and the measures that could be taken both the debtors and creditors in reducing the debt burden. (10 marks)
- b) Distinguish between public and private public fanatical management (5 marks)

**(Total: 15 marks)**