



The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS DECEMBER-2019

**EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS (YR IV SEM II)**

UNIT CODE: HCOB 2313

UNIT TITLE: FINANCIAL MANAGEMENT IN PUBLIC SECTOR

DATE: 9th DECEMBER 2019

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Describe the term political equilibrium and its determinants. (5 Marks)
- (b) Describe the term market failure and its features. (5 Marks)
- (c) Describe the coase theorem, first and second laws of welfare economic. (5 Marks)
- (d) Describe the term Lindahl pricing and its problems. (5 Marks)
- (e) Distinguish between public and merit goods (4 Marks)
- (f) Describe the canons of taxation and expenditure. (6 Marks)

QUESTION TWO

- (a) A factory is located near a residential estate in Nairobi. Residents have complained of emission of fumes from the factory are affecting the air that they breathe and some have even complained of chest pain.

REQUIRED; Describe public and private solutions to externalities of the factory. (11 Marks)

Tax is a source and non-tax source. Taxes are imposed by the government on the people and its people and it is compulsory on The part of the citizens to pay taxes, without expecting a return.

Required;

Describe progressive, proportional, regressive and digressive taxation systems. (9 Marks)

QUESTION THREE

- (a) Describe the role of Public accounts committee and Public investments committee in Kenya. (6 Marks)
- (b) Describe and plot a contract curve. (4 Marks)
- (c) Describe and plot marginal benefits, marginal damage, marginal costs and social marginal costs with their respective competitive and social optimal equilibriums. (10 Marks)

QUESTION FOUR

- (a) Describe the terms positive productive and consumption externalities and negative production and consumption externalities. (8 Marks)
- (b) A public budgeting is a field of public administration and a discipline in the academic study thereof. Budgeting is characterized by its approaches, functions, formation, and type... The politician sees the budget process as “ a political event conducted in the political advantage.”

Required;

Describe types of budgets employed in the public sector. (7 Marks)

Describe the procedure involved in public budget preparation. (5 Marks)

QUESTION FIVE

- (a) Distinguish between organic and mechanistic systems of government. (4 Marks)
- (b) Describe the purpose of government in an economy. (7 Marks)
- (c) Describe the term Pareto efficiency and the implications of lacking Pareto efficiency while providing relevant examples. (5 Marks)
- (d) Describe the term market failure and its features. (4 Marks)