

**UGANDA MARTYRS UNIVERSITY
NKOZI/LUBAGA CAMPUS**

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING & FINANCE

SEMESTER TWO 2018/19

PAM - NKOZI

COURSE UNIT: PUBLIC FINANCE AND BUDGETING

DATE: 30th/04/2017

Time allowed: 3hours

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

Question One

- a) Public Finance in general means public as well as private finance in any given economy. Briefly explain the concept of public finance and its scope in financial activities of the Government **(7 Marks)**
- b) In the developed and developing countries, Public Finance has a positive and significant role in the context of economic development.” Explain the significance of public finance to the development of Ugandan Economy. **(8 Marks)**
- c) The principles of Public expenditure give guidelines on how the national budget can be distributed along various government sectors. State the Principles of Public Expenditures, clearly showing how they guide spending in the country. **(10 Marks)**

Question Two

- a) In the developed and the third world countries, Governments’ responsibility is to provide its citizens with public goods. Explain the concept of public good and briefly explain the characteristics associated with public good in Uganda **(8 Marks)**
- b) Explain the concept of Market failures and why are public goods an example of market failure **(5 Marks)**
- c) What are the significance of a fiscal decentralization reforms to the development of any given country **(5 Marks)?**
- d) Explain the concept of government transfers and its objectives as a means towards attainment of National Development Plan (NDP) **(7 Marks)**

Question Three

In the public sector, the budget is a tool for accountability and transparency. The Ministry of Finance and Economic Development (**MOFED**) uses this tool to gain significant control and visibility on the public expenditure and borrowings for the National Economy.

- a) Explain what is meant by Government National budget and briefly explain the basic principle of budgeting in a country(**10 Marks**)
- b) Examine the fundamental processes that have to be followed in preparation and passage of the Government Budget (**7 Marks**)
- c) There has been phenomenal increase in public expenditure over years according to the annual public budget. Briefly explain why there is ever increasing public expenditure in Uganda.(**6 Marks**)

Question Four

Public debt is a debt or loan taken by the Government from its own people as well as from foreign countries or both. Borrowing may be short-term as well as long term. Government needs to borrow when current revenue falls short of public expenditure since current revenue is usually insufficient to meet the current and development expenditure of the modern Government, the Government has no alternative except to borrow money.

- a) Considering the said definition of Public debt, discuss six categories of public debt, clearly showing the circumstance that may lead to use of the particular category as opposed to the other.(**12 Marks**)
- b) Define the Term “National Debt Capacity” and public deficit (**4 marks**)
- c) Explain the factors determining taxable capacity of any developing country(**9 Marks**)

Question Five

- a) Public Revenue is about raising and management of Public Funds. Briefly explain the following four major categories of taxation and their effect in economy development; Proportional tax, Progressive tax, Regressive tax, and Degressive tax(**8 Marks**)

- b) A good tax system is the one designed based on an appropriate set of principles. Explain the canons of a good tax system in a country(**10Marks**)
- c) A tax is compulsory levy imposed by government upon assess of various categories. A tax is also referred to as a compulsory non- quid pro quo, this implies that a tax is paid without expecting corresponding return inform of social goods and services from the government. According to Justice Homes it is a price of civilization.Explainthe contribution of taxation to the economic development of a country(**7 Marks**)

Question Six

A government organization is one that has a public purpose (or several public purposes), controlled by an elected legislative body representing a particular political (geographic) jurisdiction,

- a) Define the term “**Public accountability**” in relation to Public Finance and explain the Five Principles that are followed to enhance proper Accountability in an economy(**6 Marks**)
- b) Government plays a critical role in managing the national economy. It does this through its three important arms; the legislative, executive, and judiciary. Explain the various reasons why the state should be involved in economic management. (**9 Marks**)
- c) Explain the key factors that affect Macro-economic development in Uganda (**5 Marks**)
- d) Discuss the importance of Macro-economics in the development of a given country (**5 Marks**)

END

GOOD LUCK!