



**Strathmore**  
UNIVERSITY

**STRATHMORE BUSINESS SCHOOL**

MASTER OF DEVELOPMENT FINANCE

**END OF SEMESTER EXAMINATION**

**MDF 8108: PUBLIC SECTOR FINANCE SPECIAL EXAMINATION**

**Date: Tuesday, 25<sup>th</sup> March 2025**

**Time: 3 Hours**

---

**Instructions**

1. This examination consists of **SIX** questions.
2. Answer **QUESTION ONE** and any other **THREE** questions.

**QUESTION 1**

**(30 MARKS)**

- (i) Distinguish between line-item budgeting and zero-based budgeting (4 marks)
- (ii) Briefly discuss the two major approaches to use as principles in determining the distribution of the burden of government finance (4 marks)
- (iii) The government has noted an increase in the prevalence of respiratory illnesses which has been attributed to smoking. Explain how the government can use taxes to correct this problem. (6 marks)
- (iv) Suppose the government has been able to run surpluses over the past two years. Briefly discuss the effects of the budget surplus on the credit market. (4 marks)
- (v) Briefly discuss the three general characteristics of Medium-Term Expenditure Framework. (6 marks)

Briefly discuss any three key public finance management reforms in Africa (6 marks)

**QUESTION 2**

**(10 MARKS)**

- (i) Distinguish between horizontal and vertical equity within the context of the distribution of the burden of public finance (4 marks)
- (ii) Using a graphical representation, briefly discuss the impact of government assistance programs for the poor on the work incentive of recipients (6 marks)

**QUESTION 3 (10 MARKS)**

Briefly discuss any five criteria for evaluating alternative methods of government finance

**QUESTION 4 (10 MARKS)**

- (i) Distinguish between backward shifting and forward shifting of a tax. (4 marks)
  
- (ii) Suppose the government has been running huge fiscal deficits. Based on the Ricardian equivalence, explain the effect of increased fiscal deficits on interest rates and savings (6 marks)

**QUESTION 5 (10 MARKS)**

- (i) Briefly discuss any two benefits of decentralization (4 marks)
  
- (ii) Below is data on admissions in different health facilities in Kenya. Interpret the data and explain whether health spending is progressive. (6 marks)

	1st (poorest)	2nd	3rd	4th	5th (richest)	Total
National Public hospitals	25	23	19	17	16	100
County referral hospitals	36	27	14	12	11	100
Public health centers	42	28	15	9	6	100
Private hospitals	6	9	12	30	43	100
Mission Hospitals	45	30	10	8	7	100

**QUESTION 6 (10 MARKS)**

- (i) Distinguish between tax evasion and tax avoidance (4 marks)
  
- (ii) Briefly discuss any three pillars of fiscal decentralization (6 marks)