

# **PUBLIC FINANCE**

## **MARKING SCHEME**

### **1. 1995 P2**

- Planning activities is a necessary activity which assists organizations to focus on future operations
- Budgeting is important in coordinating operations in an organization from different departments
- Budgeting assists in communicating the intended operations of the organization to interested parties
- Budgets set standards of performance for the organization which the managers strive to achieve
- Budgets motivate the managers as they work to achieve the target
- Budgets helps to control expenditure as those implementing it are expected to operate within its limit
- It helps the business to identify its areas of expenditure
- A well planned budget can be used as a means of attracting external finances
- It helps the business estimate the revenue

### **2. 2000 P2**

- In order to determine organizations earnings/ sales total receipt for a given period of time
- To determine all expenses/ payments
- To determine the balance between the receipt and payment and discover if there is balance surplus or deficit in a budget
- Determine ways of getting extra income if there is a deficit in the budget
- Enable the organization to have a forward looking approach
- Create staff motivation/ coordination if all are involved
- It is required by lenders of finance/ conditions e.t.c

### **8. 2006 Q19 P1**

- (a) The tax collected at source and hence predictable
- (b) It is simple to administer.
- (c) The tax has a wide base and therefore more is collected.
- (d) A small change in tax rate is not easily felt by the taxpayer.

### **9. 2006 Q2a P2**

#### **Financing a budget deficit**

- i) (Inflationary financing) Borrowing from the central bank through overdrafts / short term loans / accept use of examples to explain.
- ii) Borrowing from international money markets / agencies / financial institutions / non-banking financial institutions such as IBRD / IMF / World Bank / PBR / provides funds / revenue for government / accept use of examples.
- iii) Borrowing from capital markets such as ICDC / insurance companies / AFC / NPCK / procedure by selling bonds.
- iv) Borrowing from domestic money markets such as commercial banks / selling treasury bills and / bonds / promissory notes / I.O.U.
- v) Borrowing from other countries / multilateral / Bilateral borrowing through loans / buying goods / services on credit.
- vi) Borrowing from members of the public by selling treasury bills / bonds/ promissory notes.
- vii) Grants / donations / from donor countries / finances / individuals.
- viii) Printing more currencies
- ix) Imposing conditions / new / taxation in related goods / services / increased government revenue / raise funds.

**10. 2007 Q2a P1**

- i. Taxation – Government levies different types of taxes on goods/ services from raising revenue/ on incomes
- ii. Rent/ rates/ lease income/ hiring charges received from government property such as land/buildings
- iii. Sales of assets – this includes assets like shares/ buildings/ vehicles
- iv. Loans – These are received from development partners/ international lenders/ world bank/I.M.F/local lenders
- v. Dividends/ profits – received from government investment/ business
- vi. Licenses/ fees – licenses for operating business/ fees for government services
- vii. Loyalties – generated by a country's resources such as forests/ minerals. National parks
- viii. Grants/donation/ gifts – from the development partners/ other well wishers
- ix. Loans repayments/ interests on loans given out by the government agencies
- x. Fines/ penalties imposed by courts/ government agencies

**11. 2009 Q23 P1**

Benefits of privatization of public corporations.

- i) Government obtains revenue from proceeds / sale of shares
- ii) Government can concentrate on other state responsibilities
- iii) Offers opportunities for private citizens to participate in business
- iv) To enhance efficiency in the management
- v) Reduce government expenditures
- vi) Obtain revenue from taxes
- vii) foreign aid
- viii) Attract foreign investment

**12. 2010 Q15 P1**

Ways in which government expenditure stabilizes the economy of a country include:

- i) Provision of security: This creates an enabling environment for economic activities
- ii) Creation and maintenance of administrative departments: These are created for effective operation of a country's economy e.g. salaries
- iii) Social services: This enhances the welfare of the population for effective participation in economic activities.
- iv) Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.
- v) Advancement of non-interest earning capital to entrepreneurs during economic recess
- vi) Provision of basic growth and services through subsidies.
- vii) Promoting local industries

**13. 2012 Q2b P2**

2(b) Benefits of direct taxes to the government.

- (i) Economical/cheap to collect- It provides higher revenue at lower costs (of administration)/since collection is executed at the source(e.g PAYE)/involves less personnel.
- (ii) Certainty –As the government knows the amount of tax/the manner/time of payment/budget/plan for it,it is difficult to evade
- (iii) Convenience- It is deducted at the source/at regular intervals (making it easy and very convenient.
- (iv) Price stability/it is useful tool for maintaining stable prices/in controlling inflation by affecting disposable income/influencing (aggregate)demand
- (v) Fairness/Equality-The progressive nature of direct taxes distributes tax burden equitably/the government is able to redistribute wealth by heavily taxing those who earn more as opposed to those earning little.
- (vi) Simple to determine/understand/calculate- every wage level falls into predictable tax brackets
- (vii) Easy to administer-as the collection points are also fewer as opposed to collecting tax directly from individuals/less documentation.
- (viii) It is elastic- It expands with increased income/population/with changes in incomes/ population/with change in income/population/control/with decrease in incomes/ population.
- (ix) Flexibility- it can easily be changed to suit the needs of the convenient/economic conditions.