GOVERNMENT REVENUE AND EXPENDITURE

1.Identify the main source of government revenue in Kenya.

- Taxes 1 X 1 = 1 mark

ANS 17,DIST 1

2.Identify two direct taxes which the government uses to raise revenue.

-PAYE
- Income tax
- Air port tax
- Game park tax
- Property transfer Any 2 = 2mks

ANS 16,DIST 2

3.One main category of Government expenditure

- Recurrent expenditure
- Capital expenditure
- Servicing expenditure 1 x 1 = 1mk

ANS 18,DIST 3

4. Two types of Government expenditure in Kenya

- Recurrent expenditure
- Capital expenditure/ Development expenditure

1 x 2 = 2 Marks

ANS 13,DIST 4

5. a. Sources of revenue for local authorities in Kenya

Marks

- Fee from licences
- Cess
- Grants from the government/ loans
- Rents from building / social hall / stadia
- Fines
- Donations from well wishers e.g. Mayor Christmas trees

3 Marks

b. Five measures taken by the government of Kenya to ensure proper use of public funds

- Establishment of anti- corruption unit
- Establish of the office of the auditor and controller general
- Appointments of P.S as accounting officer
- Regular tendering and procurement systems
- Sensitizing the public of evils of corruption
- Empowering parliament to exercise country over public finance
- Approval of parliament is needed on the budget / supplementary estimates
- Giving of power to incur expenses only to certain officers
- Prosecution of those who misuse public funds

- Accounting of imprests by government officers after duty (official receipts) 6 x 2 = 12 Marks

ANS 22,DIST 4

6.a) - Business permits
- Road maintenance levy fund
- Donations
- Licenses
- Water and sewerage fees
- Local authority property (eg. Houses)
- Rates paid by plot owners in towns
- Charges per services eg. Museums
- Fees per market
- Fines
- Loans from central government

b) - Poor agricultural performance due to poor weather
- Inadequate foreign aid
- Retrenchment
- Corrupt officials
- Lack of funds
- Unqualified personnel
- Political interference
- Tax evasion
- Poor economic performance

ANS 23,DIST 5

7.What is the Main source of government revenue in Kenya

(1mk)

- Taxes

1 x 1 = 1mk QUES 17,DIST 6

8. a) Why does the government of Kenya prepare an annual budget. (8 mk)

i) To enable the government to prioritize its needs.
ii) Help the government to identify sources to revenue.
iii) Enables the parliament to approve government expenditure.
iv) Enables parliament to approve government expenditure.
v) Enable the government to estimate the financial requirements for its needs.
vi) Acts as reference for future in correcting .
vii) Smooth running of the government to identify its departments and allocate duties appropriately thus enhancing accountability.
viii) Give useful information to those organizations and individuals who may want to keep track of the government expenditure.
ix) Enables the government to account for funds borrowed / donated for development .
x) Accomplish already started projects. (Any 8 x 1 = 8 mks)

b) What measures does the Kenya government take to ensure the public funds are properly used.

(7 mks)

i) The government ensures that all intended expenditure is approved by parliament before any expenditure by government.

ii) All reports on expenditure by government ministers are presented to the public accounts committee to the public.

iii) The controller and auditor – general audit ministries and reports to parliament.

iv) The PS in every ministry is charged with the responsibility of ensuring that government funds are well spent.

v) The auditor – general of state corporations audits the expenditure of all government corporations.

vi) Government contracts area advertised publicly for tendering and awards are made on merit.

vii) Establishment of Kenya Anti corruption authority. (KACA)

(Any 7 x 1 = 7 mks)

ANS 22,DIST 7

9.What is contained in a government Budget?
(1mk)

i) The amount of revenue expected

ii) Source of revenue

iii) Expenditure of the government

1x1 = 1mk.

ANS 17,DIST 9

10. Identify one type of government expenditure in Kenya
(1mk)

a) Capital expenditure / money set aside for new development projects
b) Recurrent expenditure / money used to sustain and maintain / existing facilities

Any 1x1 = 1mark

ANS 17,DIST 10

11. Kenya Revenue Authority (K.R.A)
(Note: ½ mk for use of initials)
(1x1=1mk)

ANS 17,DIST 11

12. a) i)Domestic borrowing
ii) Profit from parastatals
iii) Foreign aid
iv) Sale of Treasury bills
v) Court fines
vi) Taxes e.g. V.A.T
vii) Charges of government services

viii) Licence fees.

(5x1=5mks)

b) i) Tax evasion by some people and organizations .

ii) Many people give wrong information in their wealth declaration.

iii) Negative attitude towards payment of taxes by many people due to ignorance.

iv) Rich people keep their money in foreign banks denying the country interest.

v) Unscrupulous Kenyans and tax officials collude and defraud the government of revenue.

vi) Inadequate information for local investors through treasury bills, post office bonds and shares at the Nairobi stock exchange (NSE)

vii) Smuggling of goods out of Kenya.

viii) High rate of inflation increase public expenditure/ too many taxes.

(5x2=10mks)

ANS 24,DIST 11

13. – Direct taxes.

- Indirect taxes.
- Grants
- Loans from banks/friendly countries
- Fines from courts.

(2x1=2mks)

ANS 15,DIST 12

14. Chief justice in Kenya 2x1=(2mrks)

i) Swear in the president and the cabinet ministers

ii) Heads the Kenya judiciary and give direction on how the judiciary is to determine justice in.

iii)The arbitration of disputes

iv)Plays an advisory role in the removal of a president on grounds of in capacity.

v) Is the chair person of judicial service commission?

ANS 21,DIST 13

15. State **two** types of expenditures in Kenya.

(2mks)

- ***Capital expenditure***
- ***Recurrent expenditure***

2 x 1 = 2 marks

ANS 15,DIST 14

16. Two types of expenditure in Kenya. (2 mks)

- recurrent
- capital

ANS 15,DIST 15

2. **17.** (a) State 3 sources of government revenue. (3 mks)

- direct tax
- indirect tax
- trade licenses
- Interest from loan paid to the government.
- Land rates from land owners
- House rent – government building.
- Court fines
- Sales of treasury bills and bonds
- Loans from donors
- Fees charged
- Grants from donor communities.

(b) Explain 6 challenges the government is facing in raising revenue. (12 mks)

- Tax evasion – many fail to pay taxes.
- In wealth declaration people give wrong information reducing the amount payable in taxes.
- Those who assess taxes are bribed so tat they give false information/corruption.
- Rich people keep money in foreign accounts.
- Donor states gives conditions before donations/loans are given.
- Loans are given at very high interest rates – burden.
- Reliance on foreign and increases government debts.

ANS 22,DIST 15

16. (b) Reasons why the government of Kenya prepares the national budget

- The budget helps the government to prioritize its needs giving prominence to the most urgent ones.
- The budget enables the government to identify sources of government revenue to meet their financial obligations.
- The government identifies the development projects to finance in the coming financial year.
- The budget gives MPs an opportunity to discuss the government expenditure before its put into use.
- The budget helps the government to balance its revenue and expenditure needs.
- The government determines and explains to the public the tax structure through the budget
- The budget ensures balanced and equitable development in the country.
- The budget through supplementary expenditure enables the government to plan for certain needs that emerges in the government to plan for certain needs that emerge in the course of the year. E.g drought, disease outbreak etc
- The government can assess its performance in the previous budgets and rectify areas of weakness if any. It may provide useful information to

organizations and individuals who may want to keep track of government expenditure and invest in Kenya.

- It enhances the identification of government departments and their needs in order to allocate funds appropriately to each department. This ensures transparency and accountability in government operation
- Through the budget, the government communicates its plans and policies to its local and foreign development partners.
- The volume of the budget also indicates the expansion of services provided by the government. The more the service provided by the government the bigger the budget will be. 1x10 = 10mks

ANS 24b,DIST 16

17. Name the body in charge of all forms of tax collection in Kenya.

- Kenya revenue Authority (K.R.A)

1mrk **ANS 16,DIST 19**

18. (a) <u>Outline three duties of the controller and Auditor General in Kenya</u> (3mks)

(i) Ensures that finances approved by Parliament are used for the intended Purpose

(ii) Ensure that any withdrawal from treasury is authorized by law

(iii) To safeguard receipt custody and proper use of government property e.g. stamp, books etc.

(iv) To safeguard the collection of government revenue.

(v) He audits all reports on the public accounts of the government of Kenya and reports to parliament about his findings

(b) **<u>Discuss six methods used by the Kenyan government to control public finance</u> (12 mks)**

(i) All ministries are audited by the controller and auditor general

(ii) Through approval of public expenditure by the controller and auditor general and give report to parliament for scrutiny

(iii) All parastals are audited by the controller-general of State Corporation

(iv) Permanent Secretaries (PS) are chief accounting officers in their ministries and ensure proper use of money

(v) Government contracts are advertised publicly for tendering and awards are given on merit

(vi) Establishing of Kenya Anti-corruption Commission (KACC)

ANS 22,DIST 20