

GOVERNMENT REVENUE AND EXPENDITURE

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

- Taxes 1 X 1 = 1 mark

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

3. One main category of Government expenditure

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

4. Two types of Government expenditure in Kenya

- Recurrent expenditure
 - Capital expenditure/ Development expenditure
- 1 x 2 = 2 Marks

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

2.

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

(1mk)

- Taxes

1 x 1 = 1mk

7. 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)

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.

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

10. (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 that they give false information/corruption.
- Rich people keep money in foreign accounts.
- Donor states give conditions before donations/loans are given.
- Loans are given at very high interest rates – burden.
- Reliance on foreign and increases government debts.

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

Kenya revenue Authority (K.R.A)

1mrk

12. (a) Outline three duties of the controller and Auditor General in Kenya (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) Discuss six methods used by the Kenyan government to control public finance (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 parastatals 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)

