



MACHAKOS UNIVERSITY

University Examinations for 2018/2019 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

THIRD YEAR SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS AND STATISTICS

BACHELOR OF ECONOMICS

EAE 313: PUBLIC FINANCE

DATE: 25/7/2019

TIME: 11:00 – 1:00 PM

INSTRUCTIONS:

- (i) Answer question one (Compulsory) and any other two questions**
- (ii) Do not write on the question paper**
- (iii) Show your working clearly**

QUESTION ONE (COMPULSORY) (30 MARKS)

- a) Explain the scope of government activities and the measures of public sector. (8 marks)
- b) Briefly explain the limitations of assumptions of principles of maximum social advantage (8 marks)
- c) Briefly explain factors that affect effective incidence of tax (6 marks)
- d) Using the circular flow of income diagram explain the various points where tax can be imposed and specify which tax (8 marks)

QUESTION TWO (20 MARKS)

- a) Explain how balance of payment position may influence the external debt repayment. (8 marks)
- b) Explain in detail the Zero base budgetary procedure (6 marks)

- c) Discuss the coordination and conflict of the budgetary policies of the government (8 marks)

QUESTION THREE (20 MARKS)

- a) Explain tax incidence in the case of inelastic supply and elastic demand. (4 marks)
- b) Describe the efficiency principals of taxation (8 marks)
- c) Explain the different classification of public debt in an economy (8 marks)

QUESTION FOUR (20 MARKS)

- a) Explain the various types benefits and costs involved in public projects (8 marks)
- b) Consequences of the growth of public expenditure (8 marks)
- c) Briefly explain the factors that determines the shifting of taxes (4 marks)

QUESTION FIVE (20 MARKS)

- a) Explain the various types benefits and costs involved in public projects (6 marks)
- b) Explain the effect of public debt burden on future generations (6 marks)
- c) Explain the techniques of debt management (8 marks)