



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

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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 actors that affect effective incidence of tax (6 marks)
- d) Using the circular flow of income diagram explain the various point 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 details 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)