



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2019/2020 ACADEMIC YEAR
FOURTH YEAR SECOND SEMESTER
MAIN EXAMINATION
FOR BACHELOR OF EDUCATION
COURSE CODE: ECO 410

COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY

DATE: 12TH NOVEMBER 2020

TIME: 2.00PM-4.00PM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

SECTION ONE

QUESTION ONE

- a) summarize four roles of public finance in developing economies (4mks)
- b) summarize six factors that influence taxable capacity in your country (6mks)
- c) Explain the effects of taxation on the composition and pattern of production (6mks)
- d) Distinguish between horizontal and vertical equity (4mks)
- e) Explain ways in which public expenditure induces people to divert their resources to more productive uses (10mks)

QUESTION TWO

In a mixed economy, two of the objectives of a government could be

- to minimize its borrowing requirements
- to reduce taxation of incomes

Required;

- a) Identify the general economic effect of these policies on private sector business (5mks)
- b) discuss what particular effect might result from attempts to achieve this objectives by
 - i) Reduction in public expenditure (5mks)
 - ii) Increase in charges made for the products or services of nationalized industries (5mks)
 - iii) Selling nationalized assets (5mks)

QUESTION THREE

- a) The problem with selling off profitable publicly owned undertakings is that in the long-run government and therefore the taxpayer, also loses out by forfeiting the future stream of profits

Required; discuss briefly the validity of the above statement (12mks)

- b) Identify four functions of modern government to the economy (8mks)

QUESTION FOUR

- a) There is no justification for state intervention in market economy except for some few reasons. Discuss (12mks)
- b) Discuss forms of government intervention in an economy (8mks)

QUESTION FIVE

- a) Account for the increase in Kenya's public expenditure in the last few years (10)
- b) According to Dalton, production and employment in a country depend on several factors. State and explain this factors (10mks)