



*(Knowledge for Development)*

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2021/2022 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER**

**SUPPLEMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)**

**COURSE CODE: ECO 411/ECO410**

**COURSE TITLE: PUBLIC FINANCE AND POLICY ANALYSIS**

**DATE: 15<sup>TH</sup> NOVEMBER, 2022**

**TIME: 8.00AM – 10.00AM**

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**INSTRUCTIONS TO CANDIDATE**

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

**KIBU observes ZERO tolerance to examination cheating**

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

### QUESTION ONE (30 MARKS)

- a) Describe the resource allocation in different types of economic systems (5 Marks)
- b) Explain the meaning of externality, graphically illustrate external costs and benefits(10 Marks)
- c) Define the following:
  - i. IS Curve (3marks)
  - ii. LM Curve (3marks)
- d) Demonstrate graphically the equilibrium of IS-LM Curve (6marks)
- e) Explain the roles of the government in a mixed economy (3 Marks)

### QUESTION TWO (20 MARKS)

- a) Examine the Communication Authority of Kenya (CAK) policy and its impact on the Telecom sector in Kenya (10 Marks)
- b) Discuss the roles and responsibilities of administrative organization and legislative bodies in policy implementation (10 Marks)

### QUESTION THREE(20 MARKS)

- a) Distinguish between rent seeking and bureaucracy as they relate to the public choice theory (10 Marks)
- b) Describe the resource allocation in different types of economic system (10 Marks)

### QUESTION FOUR(20 MARKS)

- a) Unemployment, slow economic growth rates and the declining proceeds from exports have proved to be the major challenges that Kenyans face. Discuss the major causes of these problems and suggest the measures that the government is adopting to curb them (10 Marks)
- b) Discuss the crowding out effect of fiscal policy and explain its determinants(10 Marks)

### QUESTION FIVE(20 MARKS)

- a) Highlight the characteristics of public goods (10 Marks)
- b) Explain the likely challenges facing currency demonetization in Kenya (10 Marks)