



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
ADMINISTRATION WITH IT
4TH YEAR 1ST SEMESTER 2019/2020 ACADEMIC YEAR

COURSE CODE: AEC 402

COURSE TITLE: PUBLIC FINANCE & FISCAL POLICY

EXAM VENUE:

STREAM: (BBA FINANCE)

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer questions ONE and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

SECTION A: (Compulsory)

QUESTION ONE

- (a) What are the objectives of fiscal policy? **(5 Marks)**
- (b) Briefly describe the role of fiscal policy in solving the three macroeconomic problems of inflation, unemployment and economic growth in a least developed country **(15 Marks)**
- (c) Distinguish between public and private finance giving examples in each case **(15 Marks)**

SECTION B: Answer ANY TWO Questions

QUESTION TWO

- (a) Most countries experience sharp increases in government expenditure over the years. Explain factors that can be attributed to increase in government expenditure **(10 Marks)**
- (b) Suggest ways in which public expenditure may be controlled **(10 marks)**

QUESTION THREE

- (a) With respect to public expenditure
 - i. Distinguish between the Principle of Maximum Social Advantage & Principle of Maximum Social Sacrifice **(5 marks)**
 - ii. State the effect of public expenditure on distribution of wealth **(5 Marks)**
- (b) Distinguish between fiscal and monetary policy and explain how both can be used to address unemployment as a macroeconomic problem **(10 Marks)**

QUESTION FOUR

Most governments are not able to generate sufficient funds to cover for all planned expenditure and as such resort to borrowing to bridge the gap between revenues collected and the expenditure. While some argue that this is not necessary, the proponents of the necessity for public debt argue otherwise.

Required: Provide justifications why public debt is necessary **(20 marks)**

QUESTION FIVE

- (a)** State the objectives of fiscal policy as tool used by government authorities to address economic problems **(5 Marks)**

- (b)** Briefly describe the principles of public expenditure **(15 marks)**