COURSE CODE: AEC 402

COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY

EXAM VENUE: LR 17   **STREAM: (BBA)**

DATE: 21/12/16   **EXAM SESSION: 2.00 – 4.00 PM**

TIME: 2   HOURS

Instructions:

1. **Answer Question ONE (COMPULSORY) 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.**

QUESTION ONE

a) Write short notes
       i.   Public goods   (2mks)
       ii.   Direct investments   (2mks)
       iii. Floating exchange rates   (2mks)
b) Differentiate between direct and indirect taxes   (4mks)
c) Explain the role of public finance in a developing country   (6mks)
d) Discuss the three approaches that are applied in distributing the tax burden   (6mks)
e) Briefly analyze the implications of externalities in an economy   (8mks)

QUESTION TWO

a) Discuss the similarities between public and private finance   (8mks)
b) Define the term externalities and briefly highlight the various types of externalities(6mks)

State and explain the different classifications of public debts   (6mks)

QUESTION THREE

a) A country may decide to present a budget in parts in the fiscal year. Give the reason why the budget may be split   (8mks)
b) Discuss any four types of budgets in an economy   (6mks)
c) Using graphical illustrations, describe the concept of demand and supply   (6mks)

QUESTION FOUR

a) Public expenditure can be classified conventionally into various categories. Discuss(6mks)
b) Analyze the principles that must be adhered to ,to achieve utmost efficiency in public expenditure   (8mks)
c) Outline and explain the advantages of a surplus budget   (6mks)

QUESTION FIVE

a) Discuss the concept of public good enumerating examples   (5mks)
b) Critically distinguish between the following types of economic systems describing five characteristics in each   (10mks)