

**UNIVERSITY OF KABIANGA**

**UNIVERSITY EXAMINATIONS**

**2014/2015 ACADEMIC YEAR**

**THIRD YEAR SECOND SEMESTER EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT AND BACHELOR OF ARTS (ECONOMICS)**

**COURSE CODE: *ECO 323***

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

**INSTRUCTIONS:**

Answer question **ONE** and any other **THREE** questions.

**QUESTION ONE**

1. Using examples, distinguish between impact and incidence of tax. (5 marks)
2. Explain the principles of tax equity. (5 marks)
3. Explain the role of (treasury) parliament in the determination of the level of public expenditure. (8 marks)
4. Give your evaluation on the performance of Smith’s cannons of taxation in Kenya. (7 marks)

**QUESTION TWO**

1. Give a critical view on the role of fiscal policy in Micro-economic management. (5 marks)
2. Explain the objectives of fiscal policy and its implications on an economy. (2 marks)
3. Explain the causes of crowding out and explain its implications on economic development of a country. (8 marks)

**QUESTION THREE**

Give an evaluation on the economic and social justification for government spending. (15 marks)

**QUESTION FOUR**

Explain responsibility of public good from the historical and theoretical approach/point of view. (15 marks)

**QUESTION FIVE**

1. Describe the subject matter of public finance from the modern economists’ point of view. (6 marks)
2. Explain the “free-rider” aspect in regards to the provision of public goods and indicate its implications. (9 marks)

**QUESTION SIX**

1. Among the goods provided by the state, the provision of goods which are predominantly “public” is not easy. Discuss this statement. (6 marks)
2. Give an explanation on the various sources of government revenue in Kenya. (9 marks)