



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR FIRST SEMESTER EXAMINATION FOR DEGREE
OF BACHELOR OF ARTS IN ECONOMICS WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEC 402: PUBLIC FINANCE AND FISCAL POLICY

Date: 8th December, 2016

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE and any other TWO

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Question One.

- a) Discuss the Classical View of Public Finance. (10 Marks)
- b) Evaluate the Modern and Keynesian View of Public Finance and explain how they differ from the Classical View. (20 Marks)

[Total 30 Marks]

Question Two.

- a) Define the terms 'Public Good' and 'Private Good' (5 Marks)
- b) State the sources of Government Revenue. (5 Marks)
- c) Describe the major functions of Public Finance in the Less Developed Countries (LDCs) (10 Marks)

[Total 20 Marks]

Question Three

- a) Explain the meaning of Public Debt. (5 Marks)
- b) Describe the classifications of the Public Debt. (5 Marks)
- c) Under what circumstances does it become necessary for the Government to engage in Deficit Financing in its Fiscal Policy? (10 Marks)

[Total 20 Marks]

Question Four.

a) With the aid of an appropriate diagram, explain the following:

Progressive Tax,

Proportional Tax,

Regressive Tax

Poll Tax

(10 Marks)

b) State and explain the 'Canons of Taxation'

(10 Marks)

[Total 20 Marks]

Question Five.

a) Evaluate the Principles of Maximum Social Advantage and Minimum Social Sacrifice in Public Finance. **(10 Marks)**

b) State and explain the key areas of Public Expenditure **(10 Marks)**

[Total 20 Marks]