



MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS 2022/2023 ACADEMIC YEAR FOURTH YEAR SECOND SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS BACHELOR OF SCIENCE IN ECONOMICS, ECONOMICS AND STATISTICS, FINANCIAL ECONOMICS

COURSE CODE: ECO 4205

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

DATE: April, 2023

TIME: 08:30 - 10:30AM

INSTRUCTIONS TO CANDIDATES

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

This paper consists of 2 printed pages. Please turn over

QUESTION ONE

- (a) Discuss the macroeconomic policy objective of the stabilization function of the government **(8marks)**
- (b) Aggregate demand is also a function of the spending decisions of many consumers, corporate managers, many financial investors etc. Discuss the factors which influence expenditure decisions of these people **(10marks)**
- (c) Even if consumption is excludable, market provision of a public good is likely to be inefficient. Discuss **(7marks)**

QUESTION TWO

- (a) Explain the conditions under which the market will fail to be efficient **(8marks)**
- (b) Whether the consequences of public expenditure will be beneficial or not, will depend on a numbers of factors. Discuss these factors **(7marks)**

QUESTION THREE

- (a) When evaluating a country's production and employment potential, as an expert, what should you look for? **(6marks)**
- (b) Discuss the role of public expenditure in Developed Economies **(9marks)**

QUESTION FOUR

- (a) Explain the principles of budgeting **(9marks)**
- (b) Explain how the the economic effects of government expenditure financed by public borrowing are different from the effects of similar expenditure financed by taxation **(6marks)**

QUESTION FIVE

- (a) Equity in taxation requires that taxes to be paid in accordance with the benefits received from the government expenditures. Based on this, to what extent would you advise Kenyans to pay taxes? **(8marks)**
- (b) Discuss the variables that may limit the growth of public expenditure in Kenya **(7marks)**

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