

CHUKA



UNIVERSITY

UNIVERSITY SUPPLEMENTARY/SPECIAL EXAMINATIONS.

FOURTH YEAR EXAMINATION FOR THE AWARD OF BACHELOR OF SCIENCE
IN ECONOMICS AND SOCIOLOGY

ECON 422: PUBLIC FINANCE & FISCAL POLICY

STREAMS:

TIME: 2 HOURS

DAY/DATE: MONDAY 23/07/2018

2.30 P.M - 4.30 P.M

INSTRUCTIONS:

- Answer **Question ONE** and other **TWO Questions**
- Do not write anything on the Question paper.

QUESTION ONE (COMPULSORY)

- (a) Distinguish between the following goods and give at least two (2) examples of each;
- | | |
|-------------------|-----------|
| (i) Public goods | [2 Marks] |
| (ii) Club good | [2 Marks] |
| (iii) Merit goods | [2 Marks] |
- (b) Distinguish between consumption and production externally. Give at least two examples of each. [4 Marks]
- (c) Explain the disadvantages of indirect tax. [10 Marks]
- (d) Explain the reason why government intervenes in the markets. [10 Marks]

QUESTION TWO

Discuss the public policy objectives showing clearly the extent to which your country has achieved them. Explain how some of those objectives conflict with each other. [20 Marks]

QUESTION THREE

- (a) Discuss the following theories of growth of public expenditure;
- | | |
|------------------------------|-----------|
| (i) Musgrave-Rostow's theory | [5 Marks] |
| (ii) Ratchet effect theory | [5 Marks] |

ECON 422

(b) What are the effects of government borrowing on an economy? [10 Marks]

QUESTION FOUR

(a) Explain different ways of committing tax fraud. [10 Marks]

(b) Explain the main sources of market failure in an economy. [10 Marks]

.....