

**CHUKA**



**UNIVERSITY**

## **UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF**

**ECON 422: PUBLIC FINANCE AND FISCAL POLICY**

**STREAMS:Y4S2**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 10/04/2018**

**2.30 P.M – 4.30 P.M**

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**INSTRUCTION:**

- **Answer question one and any other two questions**
1. (a) Explain your answers, compare and contrast public finance and private finance. [10marks]
  - (b) Discuss the following theories of growth of public expenditure.
    - (i) Wagner’s organic model [5marks]
    - (ii) Fiscal illusion model [5marks]
    - (iii) Crowding out model [5marks]
    - (iv) Peacock and Wiseman’s political constraint model. [5marks]
  2. (a) Explain clearly the main principles of public expenditure. [10marks]
  - (b) Most developing countries are in debt crisis, explain the main consequences of public debt. [10marks]
  3. (a) Highlight the essentials of a good tax system. [8marks]
  - (b) Explain the main budget objectives showing clearly the extent to which your country has achieved them. [12marks]
  4. (a) Distinguish between public, private and club goods. [3marks]
  - (b) What is dead weight loss? Explain using a diagram. [7marks]

(c) What are the consequences of tax evasion? Discuss.

[10marks]

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