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CHUKA



UNIVERSITY

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**SUPPLEMENTARY / SPECIAL EXAMINATIONS**

**FOURTH YEAR EXAMINATION FOR THE AWARD OF BACHELOR DEGREE IN**

**ECON 446: PUBLIC FINANCE AND FISCAL POLICY**

**STREAMS:**

**TIME: 2**

**HOURS**

**DAY/DATE: TUESDAY 17/11/2020**

**5.00 P.M – 7.00 P.M.**

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**INSTRUCTIONS:**

- Answer Question One and any other Two Questions

Question One

- a). Compare and contrast public finance and private finance (10 marks)
- b). Explain the Rostow-Musgrave theory of public expenditure (6 marks)
- c). Highlight the functions of National treasury (6 marks)
- d). With the help of a graphical illustration, clearly explain how equilibrium is attained in the provision of public goods (8 marks)

Question Two

- a). Discuss the functions of a budget in an economy (5 Marks)
- b). Explain five constraints to growth of public expenditure over time (10 marks)
- c). Briefly explain any five the principles of taxation (5 marks)

Question Three

- a). Identify the role of parliament in relation to the public finance and fiscal policy matters (5 marks)
- b). Discuss the ratchet effect theory of public expenditure (5 marks)
- c). Explain the main functions of public finance (10 marks)

Question Four

- a).What are the disadvantages of direct taxes (4 marks)
  - b). Explain the main instruments of fiscal policy (6 marks)
  - c).Discuss the budget process in Kenya as stipulated in the constitution (10 marks)
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