



# **MOI UNIVERSITY**

**OFFICE OF THE DEPUTY VICE CHANCELLOR ACADEMIC AFFAIRS,  
RESEARCH AND EXTENSION**

## **UNIVERSITY EXAMINATIONS**

### **2014/2015 ACADEMIC YEAR**

**THIRD YEAR END OF SEMESTER I EXAMINATIONS**

**FOR THE DEGREE OF  
BACHELOR OF ECONOMICS ARTS/BACHELOR  
OF BUSINESS MANAGEMENT**

**COURSE CODE: ECO 323**

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

**DATE: 19<sup>TH</sup> DECEMBER, 2014 TIME: 2.00 P.M. – 5.00 P.M.**

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***INSTRUCTION TO CANDIDATES***

**> SEE INSIDE.**

**THIS PAPER CONSISTS OF (1) PRINTED PAGES**

**PLEASE TURN OVER**

### **QUESTION ONE**

- (a) What role does the public sector play in an economy? (10 marks)
- (b) Using specific examples from Kenya, discuss the effectiveness of the public sector in the provision of public goods and promoting economic development. (15 marks)

### **QUESTION TWO**

Fiscal policy should contribute to the achievement of one or more of the following goals.

- (a) Full employment
- (b) Income redistribution
- (c) Price stability
- (d) Economic growth

Select any three of the above goals and show the extent to which Kenya's fiscal policy has achieved the goals you have selected since independence to-date. (25 marks)

### **QUESTION THREE**

Discuss the essentials of a good tax system. Does the Kenyan tax system conform to the above essentials? Discuss. (25 marks)

### **QUESTION FOUR**

Discuss the underlying features of the following theories of taxation.

- (a) The expediency theory (8 marks)
- (b) The benefit-received theory. (8 marks)

What are the weaknesses of the above theories of taxation when applied to a developing economy? (9 marks)

### **QUESTION FIVE**

- (a) Discuss the main sources of government revenue in Kenya. (10 marks)
- (b) Explain the role of a national budget in a country. (15 marks)

### **QUESTION SIX**

The public debt problem in Africa has worsened over the years, affecting the provision of public goods and services in almost all countries.

- (a) What are the causes of this debt problem? (10 marks)
- (b) Discuss the various home-grown policies most countries have adapted to address the above problem (Give specific examples from specific countries) (15 marks)