



MASENO UNIVERSITY

UNIVERSITY EXAMINATIONS 2015/2016

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE
DEGREE OF MASTER OF ARTS IN ECONOMICS**

CITY CAMPUS

AEC 814: PUBLIC FINANCE

Date: 23rd April, 2016

Time: 9.00 - 12.00 noon

INSTRUCTIONS:

- Answer ANY FOUR questions



QUESTION ONE

In Economic theory, we believe that misallocation of resources will arise if provision of goods and services is left to the private sector alone. Discuss (15 marks)

QUESTION TWO

Taxation is believed to be beneficial to the public but it may be a cause of economic inefficiency, Discuss. (15 marks)

QUESTION THREE

By use of relevant illustrations, explain the effect of the following economic variables on Public borrowing;

- a) The Marginal propensity to consume. (5 marks)
- b) Rates of interests. (5 marks)
- c) Expected inflation. (5 marks)

QUESTION FOUR

With reference to; Wagner's Hypothesis and Peacock-Wiseman Hypothesis analyses the reasons for Growth of Public Expenditure (15 marks).

QUESTION FIVE

Evaluate the merits and demerits of Kenya's budget process. (15 marks).

QUESTION SIX

- a) By use of relevant illustration , explain the 'the no Ponzi condition' in the intertemporal budget balance. (5 marks)
- b) Examine suitability of financing government budget through taxation or Bond finance. (10 marks)