



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**FOURTH YEAR SECOND SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF ARTS IN
ECONOMICS WITH INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEC 402: PUBLIC FINANCE

Date: 4th August, 2017

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE(Compulsory) and any other TWO.
- Question one carries 30 marks, the rest 20 marks each
- Do not write on a question paper



SECTION A

Q1(a) Explain the meaning of Public Finance according to Bastable (2 marks)

(b) "The government of Kenya aims at bringing social justice through an equitable financial system" (20 marks)

In the light of this statement discuss the scope of public finance as provided by Prof. Dalton

(c) Differentiate exercise duty from corporate tax (8 marks)

SECTION B

Q2. (a) "According to J. B. say, the very best of all plans of finance is to spend little and the best of all taxes is that which is the least in amount" Critically discuss the principle of maximum social advantage (14 marks)

(b) Explain the limitation of the principle of maximum social welfare (6 marks)

Q3 (a) Critically explain the meaning of value added tax (V.A.T) and its characterization (6 marks)

(b) By the use of proportional tax table discuss the advantage and disadvantage of proportional tax in Kenya (14 marks)

Q4 (a) Differentiate between public debt and private debt (6 marks)

(b) Critically describe five (5) types of public debt incurred by the government of Kenya (14 marks)

Q5(a) Explain the meaning of "budget" and discuss the objectives of budgetary in Kenya (8 marks)

(b) Write short notes on the following terms that are used by tax departments:

(i) Tax base (3 marks)

(ii) Tax burden (3 marks)

(c) Suppose elasticity of demand for a computer is -0.6 , and the elasticity of a computer supply is 0.4 , and the government imposes a tax of Kshs. 100 per a computer:

Required:

(i) Calculate tax burden on the computer buyer (3 marks)

(ii) Explain who bears lower tax burden (3 marks)