



UNIVERSITY OF EMBU

2021/2022 ACADEMIC YEAR

SECOND SEMESTER EXAMINATIONS

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR OF ECONOMICS AND STATISTICS

BAE 102: ECONOMICS OF PUBLIC EXPENDITURE

DATE: 4 APRIL, 2022

TIME: 2.00 -4.00 PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

a) Differentiate between the following terms/concepts:

- i) Public Finance and Public Expenditure (4 marks)
- ii) Excludable and Rivalrous (4 marks)
- iii) Government Failure and Market failure (4 marks)

b) Government expenditure aims to maximize welfare of citizens. Kenya's public expenditure has been growing exponentially in the last one decade. It has increased from about Ksh 0.956 trillion in 2012 to Ksh 3.2 trillion in 2021. In your own view, do you think the increased government expenditure has had any impact on socio-Economic development in Kenya. Support your answer with valid points

(7 marks)



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c) Explain five ways in which a government can correct market failure. (5 marks)

d) Discuss at least three conditions that must be satisfied for a Tiebout Equilibrium to occur (6 marks)

QUESTION TWO (20 MARKS)

a) Discuss principles of Public Expenditure. (10 marks)

b) Discuss Lindal Market Equilibrium concept as used in provision of goods and services. (10 marks)

QUESTION THREE (20 MARKS)

a) Explain five consequences of externalities. (10 marks)

b) Discuss Niskanen's Model theory, highlighting the key foundations, assumptions and arguments. (10 marks)

QUESTION FOUR (20 MARKS)

a) Discuss Balassa Samuelson effect. (10 marks)

b) Explain the concept of Pareto efficiency and Optimal Taxation (10 marks)

QUESTION FIVE (20 MARKS)

a) Discuss the concept of Optimal/Efficient provision of public goods (10 marks)

b) Explain the concept of Free Rider Problem (10 marks)

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