



GARISSA UNIVERSITY

UNIVERSITY EXAMINATION **2017/2018** ACADEMIC YEAR **THREE**
FIRST SEMESTER EXAMINATION

SCHOOL OF BUSINESS AND ECONOMICS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: ECO 323

COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY

EXAMINATION DURATION: 3 HOURS

DATE: 06/12/17

TIME: 2.00-5.00 PM

INSTRUCTION TO CANDIDATES

- The examination has **SIX (6)** questions
- Question **ONE (1)** is **COMPULSORY**
- Choose any other **THREE (3)** questions from the remaining **FIVE (5)** questions
- Use sketch diagrams to illustrate your answer whenever necessary
- Do not carry mobile phones or any other written materials in examination room
- Do not write on this paper

This paper consists of **TWO (2)** printed pages

please turn over



QUESTION ONE (COMPULSORY)

- (a) Distinguish between the following concepts
- i. Public good and private good [2 marks]
 - ii. Exclusion and rivalry [2 marks]
 - iii. Public sector borrowing requirement and the public sector debt repayment [2 marks]
 - iv. Direct tax and indirect tax [2 marks]
- (b) Explain the two micro objectives of the government [4 marks]
- (c) Define the term public debt. Explain four types of debts in a country [5 marks]
- (d) Discuss the factors which determine the borrowing level of a country [5 marks]
- (e) How does an increase in government purchases increase real GDP [3 marks]

QUESTION TWO

- (a) Explain macro objectives of the government [8 marks]
- (b) Factors influencing growth of public expenditures [7 marks]

QUESTION THREE

- (a) Discuss the Concerns about effectiveness of Fiscal Policy [10 marks]
- (b) Explain the effects of increased government borrowing on an economy. [5 marks]

QUESTION FOUR

- (a) Explain the Problems of prices and income policy [6 marks]
- (b) Show how fiscal policy can be used to achieve.
- i. An expansionary effect [4 marks]
 - ii. For controlling the aggregate demand at a time of boom [5 marks]

QUESTION FIVE

- (a) Explain the purposes or functions of taxation [6 marks]
- (b) Discuss the effects of increased government expenditure on an economy. [9 marks]

QUESTION SIX

- (a) Who are the accounting officers in the Government departments and what specifically are their functions [5 marks]
- (b) Describe the functions and the duties of the National Treasury and its relations with County Governments under the Constitution 2010. [10 marks]

