



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND
TECHNOLOGY (MMUST)**

MAIN CAMPUS

UNIVERSITY EXAMINATIONS 2023/2024 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF SCIENCE IN ECONOMICS

COURSE CODE: ECO 410

COURSE TITLE: PUBLIC FINANCE AND FISCAL POLICY

DATE: FRIDAY, 15-12-2023 **TIME:** 3:00 -5:00

Instructions to Candidates

Attempt **QUESTION ONE** and **ANY OTHER TWO** Questions

Question ONE carries 30 marks and the rest carry 20 marks each

Time: **2 Hours**

MMUST observes **ZERO** tolerance to examination cheating

This paper consists of 2 printed pages. Please Turn Over.

QUESTION ONE

- a) Precisely explain the importance of:
- i. Tax incidence (4 marks)
 - ii. Taxable capacity (4 marks)
- b) What are welfare implications of imposing a road toll? (6 marks)
- c) Assess the relevance of the canons of public expenditure in modern times (6 marks)
- d) Discuss the merits of Value Added Tax (VAT) in the context of a good tax system (10 marks)

QUESTION TWO

- a) 'In a market economy, the government has no role to play in the allocation of resource'. Discuss this statement (10 marks)
- b) What are the distinguishing characteristics of a public good? What are some of the problems which the government faces in provision of public goods? (10 marks)

QUESTION THREE

- a) Discuss the shortcomings of the Kenyan tax system (10 marks)
- b) Precisely discuss the implications of licensing an asbestos factory which emits asbestos dust and discharges its noxious wastes into a river estuary (10 marks)

QUESTION FOUR

- a) Public debt constitutes a burden to future generations. Discuss this statement (10 marks)
- b) Using appropriate illustrations and examples, discuss the incidence of a tax under increasing returns and monopoly (10 marks)

QUESTION FIVE

“Educations cuts can be criticized because education is a public good. Increase in tuition fees can be justified because education is a private good”. Discuss these two statements (20 marks)