



(University of Choice)

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

MAIN EXAMINATION

**UNIVERSITY EXAMINATIONS
2023/2024 ACADEMIC YEAR**

FIRST YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE OF MASTER OF SCIENCE IN ECONOMICS

COURSE CODE: ECO 814

COURSE TITLE: PUBLIC FINANCE

DATE: FRIDAY, 15-12-2023

TIME: 2:00 -5:00

INSTRUCTIONS TO CANDIDATES

ATTEMPT QUESTION **ONE** AND ANY OTHER **THREE**

TIME: 3 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

QUESTION ONE

- i. Explain the functions of public finance in developed nations (3mks)
- ii. Describe the free rider problem and its solutions (4mks)
- iii. Highlight the differences between vertical and horizontal equity (3mks)
- iv. Explain the solutions to externality problem (4mks)
- v. Distinguish between rent seeking and bureaucracy as they relate to the public choice theory (4mks)
- vi. Explain factors determining the taxable capacity (4 mks)
- vii. Account for the growth of public expenditure (4 mks)
- viii. Explain the burden of public debt (4 mks)

QUESTION TWO

- i. Explain how to determine the optimum output of social goods (8 mks)
- ii. Explain the meaning of externality (2 mks)
- iii. Describe negative externalities and give two examples (3 mks)
- iv. Explain the measurement of taxable capacity (7mks)

QUESTION THREE

- i. Explain the various types benefits and costs involved in public projects (6 mks)
- ii. Explain the effect of public debt burden on future generations (6mks)
- iii. Explain the techniques of debt management (8 mks)

QUESTION FOUR

- i. Explain tax incidence in the case of inelastic supply and elastic demand (3 marks)
- ii. Describe the efficiency principals of taxation (8mks)
- iii. Explain the measurement of benefits and costs in public projects(7mks)
- iv. iv. Explain the concept of excess burden of taxation (2mks)

QUESTION FIVE

In the mid 1950's to date most nations on the African continent opted to form regional economic blocs. What were their objectives? Were they achieved?

Discuss

(20 Marks)

QUESTION SIX

What are the causes of inflation in Kenya since independence in 1963? Suggest possible solutions to this problem.

(20 Marks)

