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University of choice

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)
SCHOOL OF AGRICULTURE, VETERINARY SCIENCES AND TECHNOLOGY (SAVET)

MAIN CAMPUS

UNIVERSITY EXAMINATIONS 2023/2024 ACADEMIC YEAR

MAIN EXAMS OF BACHELOR OF AGRIBUSINESS MANAGEMENT AND MARKETING ODEL

COURSE CODE: BCB 424

COURSE TITLE: PUBLIC FINANCE AND TAXATION

DATE: 16/4/2024 **TIME: 8-11 AM**

INSTRUCTIONS TO CANDIDATES

This paper is divided into two sections, **A and B**. Answer ALL Questions in SECTION A and any Two in SECTION B

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over

SECTION A: ANSWER ALL QUESTIONS (30 MARKS)

QUESTION ONE

a) Clearly explain the meaning of a public good and three possible options of funding public good. (4 Marks)

b) List roles of public finance in ensuring economic growth and development are: (3 marks)

c) Describe the following concepts as used in public finance (9 marks)

i. Tax incidence and tax impact

ii. Forward shifting and backward shifting of tax.

iii. Public borrowing and budget deficit

d) Describe at least three principles of effective public financial management (6 Marks)

e) Discuss three causes of inequality in the society and measures to reduce the social vice (6 marks)

d) list two principles of effective public financial management (2 marks)

SECTION B: ANSWER ANY TWO QUESTIONS (40 MARKS)

QUESTION TWO

a) Explain two limitations fiscal policy in controlling inflation (4 Marks)

b) Distinguish between public receipts and public revenue giving relevant examples in each case (4 marks)

c) Explain the following concepts as used in Monetary Policy (6 marks)

i. Open Market Operation

ii.Moral suasion

d) Define the following terms associated with public finance (6 Marks)

i. Deadweight loss

ii. Euro bonds

QUESTION THREE

a) Why does the government support public education when the private sector also provides this service? (10 marks)

b). Free riding can be a reasonable strategy for any one individual, provided that no penalty exists and that only a few individuals choose the strategy. Explain (4 marks)

c) Explain at least three principles of an effective tax system (3 marks)

d) In your view, how practical is Pareto optimality concept in public policy analysis (3 marks)

QUESTION FOUR

a) In terms of debt instruments, distinguish between the primary and secondary market and discuss the implications for liquidity if an instrument is not tradable on the secondary market. (5 Marks)
b) Describe the economic effects associated with a government using bills or bonds to borrow from overseas. (5 Marks)
c) The government of Kenya is currently pursuing the implementation of Universal Health Coverage through the NHIF. Give the pros and cons of replacing private insurance with government insurance. (5 Marks)
d) Distinguishing between the primary and secondary market for debt instruments: (5 marks)

QUESTION FIVE

a) Explain the terms externalities and market failure as applied in public finance

(5 Marks)

b) Briefly describe the following three objectives of public expenditure (15 marks)

i) Concentration effect

ii) inspection effect

iii) displacement effect