



OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2020 /2021 ACADEMIC YEAR

THIRD YEARSECOND SEMESTER REGULAR EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT/ BACHELOR OF ARTS ECONOMICS**

COURSE CODE: ECO 323/ECO 325

COURSE TITLE:PUBLIC FINANCE & FISCAL POLICY

DATE: 16th July 2021

TIME: 8.00am-11.00

INSTRUCTION TO CANDIDATES

- SEE INSIDE
- PLEASE TURN OVER

BBM ECO 323/ECO 325

REGULAR – MAIN EXAM

BBM ECO 323/ECO 325: PUBLIC FINANCE & FISCAL POLICY

STREAM: BBM (Finance) / BA (Econs)

DURATION: 3 Hours

INSTRUCTION TO CANDIDATES

- i. *Answer question ONE and any other TWO questions*
- ii. *Do not write on the question paper.*

QUESTION ONE

- a) The following is an extract from the Business Daily Newspaper ; “Consumer prices in Kenya rose 4.8 percent year-on-year in January of 2018, after a 4.5 percent gain in the previous month. Prices advanced at a faster pace after easing for five consecutive months, mostly due to food and housing and utilities”.

Required;

- i. High light and explain the Fiscal policies by the government to correct the above. [10 marks]
 - ii. Show the importance of public Finance to a developing country [10 marks]
- b) Contrast pros and cons of domestic and external borrowing by the Government .[10 marks]

QUESTION TWO

- a) “In the FY 2017/18 the fiscal deficit (excluding grants), is projected at Ksh 582.5 billion (equivalent to 7.0 percent of GDP) against the estimated fiscal deficit of Ksh 716.9 billion (9.6 percent of GDP) in the FY 2016/17. Including grants, the fiscal deficit is projected at Ksh 523.7 billion (6.3 percent of GDP) in the FY 2017/18 against the estimated fiscal deficit of Ksh 665.4 billion (8.9 percent of GDP) in the FY 2016/17. Excluding expenditures related to the Standard Gauge Railway (SGR) which is a one off expenditure, the deficit for the FY 2017/18 amounts to Ksh 469.6 billion or 5.7 percent of GDP”.

Required;xplore ways in which the Giverment can finance the Fiscal deficit. (10 marks)

- b) Show nd explain the features of a public good. (10 marks)

QUESTION THREE

- a) Discuss the reasons for the involvement of the government in the contrl of an economic system (10 marks).
- b) List and explain the fisal policy measures during deflation. [10 marks]

QUESTION FOUR

- a.State and explain the principles of public debt. [10 marks]
- b. Show the provision of Public Private Initiative engagement in Public Finance. [10 marks]

QUESTION FIVE

- a) Betting and gaming have recently become popular in Kenya. The new generation Kenyans has become more passionate to sports and participation in competitions. Gaming Tax – from 12% to 50%, Betting Tax – from 7.5% to 50%, Lottery Tax –from 5% to 50%, Prize Competitions Tax – from 15% to 50%. The tax is payable by the companies and not the individual winners.

Required; critically analyze the objectives for imposing this tax [10 marks]

- b. Explain the meaning of EURO –BONDS and their advantages [10 marks]
