



ALOHE UNIVERSITY

COLLEGE

Bastion of Knowledge...

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OFFICE OF THE DEPUTY PRINCIPAL

ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

THIRD YEAR SECOND 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: 03-06-22

TIME: 9.00AM-12.00

INSTRUCTION TO CANDIDATES

- SEE INSIDE
- PLEASE TURN OVER

QUESTION

a)

Expalin FEATURES of a public good and the reasons for market failures . [10 marks]

b)

Contrast pros and cons of domestic and external borrowing by the Government . [10 marks]

c)

Explain the government budget process and the role of the National Assembly . [10 marks]

QUESTION TWO.

a)

“In the FY 2021/22 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 2020/21. Including grants, the fiscal deficit is projected at Ksh 523.7 billion (6.3 percent of GDP) in the FY 2021/22 against the estimated fiscal deficit of Ksh 665.4 billion (8.9 percent of GDP) in the FY 2020/21. Excluding expenditures related to the Standard Gauge Railway (SGR) which is a one off expenditure, the deficit for the FY 2021/22 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 MOTIVES of taxation (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 –from5% to 50%, Prize Competitions Tax – from 15% to 50%.The tax is payable by the companies and not the individual winners.

Required;

- a. Critically analyze the objectives for imposing this tax [10 marks]
- b. Explain the advantages and disadvantages of external loans [10 marks]