



OFFICE OF THE DEPUTY VICE CHANCELLOR  
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

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# UNIVERSITY EXAMINATIONS

## 2024 /2025 ACADEMIC YEAR

3RD YEAR 2<sup>ND</sup> SEMESTER MAIN EXAMINATION

### FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

**COURSE CODE:** ECO 323

**COURSE TITLE:** PUBLIC FINANCE AND FISCAL  
POLICY

**DATE:** 8<sup>TH</sup> APRIL 2025

**TIME:** 2 TO 5 P.M

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#### INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

**MAIN EXAM**

**ECO 323: PUBLIC FINANCE AND FISCAL POLICY**

**STREAM: BBM**

**DURATION: 3 Hours**

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**INSTRUCTIONS TO CANDIDATES**

- i. Answer Question **ONE** and any other **TWO** questions.*
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.*
- iii. Do not write on the question paper.*

**QUESTION ONE (30 MARKS)**

- a) Explain the two facets of fiscal policy. ( 6 marks)
- b) Explain the role of taxation in growing economies ( 10 marks)
- c) Discuss the nature of public expenditure clearly bringing out what necessitates changes in public expenditure. (14 marks)

**QUESTION TWO (20 MARKS)**

- a) Discuss the following theories of public expenditure
  - i) Loanable Funds Theory (10 marks)
  - ii) Principle of Maximum Social Advantage . (10 marks)

**QUESTION THREE (20 MARKS)**

- a) What roles does the Treasury play in the development of a country? (10 marks)
- b) Discuss expenditure control in the public sector (10 marks)

**QUESTION FOUR (20 MARKS)**

- a) Adam Smith sets out the key canons of a good tax system. Explain any Five such principles. (10marks)
- b) In reference to the above, how would you rate Kenya's tax system? ( 6 marks)
- c) Explain the overall impact of tax on the welfare of the nation. (8 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the impact of high national debt as a ratio of GDP ( 12 marks)
- b) Explain what is meant by crowding out effect (8 marks)