

**UNIVERSITY OF SWAZILAND  
FACULTY OF SOCIAL SCIENCE  
DEPARTMENT OF ECONOMICS  
MAIN EXAMINATION  
MAY 2017**

TITLE OF PAPER: PUBLIC FINANCE II

COURSE CODE: ECON 409

TIME ALLOWED: TWO (2) HOURS

**INSTRUCTIONS:** ANSWER **ANY THREE** QUESTIONS.

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BY THE CHIEF INVIGILATOR.

## Question 1

- a) Outline four properties of a good tax system. In your opinion is the tax system in Swaziland a good tax system? Explain. **(15 marks)**
- b) Employing a partial equilibrium analysis, analyse the incidence of an ad valorem tax. Use a graph to indicate clearly how the tax burden is shared between the consumer and producer. **(10 marks)**

## Question 2

Write short expounding notes on each of the following:

- a) Tax evasion and tax avoidance. Use one example for each.
- b) Tax neutrality and optimal taxation
- c) Ricardian equivalence and inter-temporal debt burden
- d) Laffer curve. Use the graph.
- e) Formal and effective incidence of a tax **(5 marks each)**

## Question 3

- a) Discuss, using a graph, the effect of demand elasticity on excess burden and tax revenue. Use elastic and inelastic demand curves and assume that a selective tax is levied on good X. Be sure to define the term excess burden and show it in your graph. **(20marks)**
- b) Why is it important for the tax system in Swaziland to be administrative efficient? Explain. **(5 marks)**

## Question 4

- a) Define public debt. Outline the size and composition of public debt in Swaziland as of January 2017. **(15 marks)**
- b) In your opinion, is the public debt in Swaziland sustainable? Support your answer using the various applicable critical ratios for Swaziland. Use data that is as current as possible. **(10 marks)**

## Question 5

- a) Outline the main important parts of the Swaziland national budget speech 2017/18. What is the theme of this budget? State any five challenges facing the economy as indicated in this speech. Use data as much as possible. **(15 marks)**
- b) State the total budget allocations ( in Emalangeni) for education, health, agriculture and defence. In your opinion are these allocations adequate in ensuring that Vision 2022 is realised? Explain. **(10 marks)**