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FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION
MAY, 2018

TITLE OF PAPER: PUBLIC FINANCE 11

COURSE CODE: ECON 409

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: 1. ANSWER QUESTION 1 (COMPULSORY) AND ANY
OTHER TWO QUESTIONS.
2. START EACH QUESTION ON A NEW PAGE.

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THE CHIEF INVIGILATOR.

a) Outline any five challenges highlighted in the government budget speech for fiscal year 2018/2019. Comment on whether this budget speech is in line with efforts to deal with the challenges you have identified. **(20 marks)**

b) Discern between statutory and economic incidence of a tax. Why is it important for tax designers to pay attention to these two? **(5 marks)**

c) Outline any two reasons for taxing companies. **(5 marks)**

d) List the three broad types of VAT. Which one is operating in Swaziland? **(5 marks)**

Question 2

a) Define public debt. What is the current total public debt stock in Swaziland? **(5 marks)**

b) In trying to choose between taxation or borrowing there is a need to look into equity, efficiency and implications for macroeconomic stability. Do you agree? Explain. **(10 marks)**

c) List four objectives of public debt management. **(5 marks)**

Question 3

a) Using a partial equilibrium analysis, analyse the incidence of an ad valorem tax collected from the producers of a product of your choice. **(12 marks)**

b) Explain why price elasticities of demand and supply affect tax incidence. How is government revenue affected by these elasticities? Do not use any graphs. **(8 marks)**

Question 4

a) One of the properties of a good tax is administrative efficiency. Explain. Does the tax regime in Swaziland conform to this property? Explain. **(6 marks)**

b) Sketch the Laffer curve and explain the relationship it depicts. **(5 marks)**

c) List the sources of government revenue in Swaziland. Indicate the current percentage contributions of each to total revenue. Comment on the proposal to tax electricity consumption under VAT in Swaziland. **(9 marks)**