

UNIVERSITY OF ESWATINI
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
RESIT/SUPPLEMENTARY 2019

TITLE OF PAPER: PUBLIC FINANCE II

COURSE CODE: ECO 406/ECON 409

TIME ALLOWED: TWO (2) HOURS

- 1) INSTRUCTIONS: ANSWER QUESTION 1 (COMPULSORY)
- 2) CHOOSE **ANY ONE** QUESTION FROM THE REMAINING TWO QUESTIONS.

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Question 1 Compulsory (Total marks 45)

- a) Discern between statutory and economic incidence of a tax. (4 marks)
- b) Discuss the economic effects of value-added tax. (12 marks)
- c) Discuss the macroeconomic and microeconomic goals of fiscal policy. (12 marks)
- d) Is the tax system in Eswatini administratively efficient and flexible? Explain. (9 marks)
- e) Should governments borrow or use tax revenue to finance public spending? Support your position. (8 marks)

Question 2

- a) With the aid of a diagram, analyse the effect of an income tax on savings. (15 marks)
- b) Illustrate and explain that the price elasticity of demand has an impact on the excess burden of a tax. (15 marks)

Question 3

- a) Outline the different types of company tax. (5 marks)
- b) Why is it beneficial to have an annual wealth tax on individuals? Explain. (10 marks)
- c) Using a partial equilibrium approach, analyse the impact of an ad valorem tax. Use a diagram to support your analysis. (15 marks)