UNIVERSITY OF ESWATINI

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

MAIN EXAMINATION

NOVEMBER 2021

TITLE OF PAPER: PUBLIC FINANCE II

COURSE CODE: ECO 406

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS:

1) ANSWER QUESTION 1 (C0MPULSORY).
2) CHOOSE ANY ONE QUESTION FROM THE REMAINING TWO QUESTIONS.

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Question 1 Compulsory (Total marks 40)

a) Differentiate between administrative efficiency and flexibility as cannons of a good tax system. **(4 marks)**

b) Outline the vital issues that must be considered when assessing if taxes are administratively efficient. ' **(12 marks)**

c) Define public debt management. Outline four objectives of public debt management. **(10 marks)**

d) Explain why tax systems should be flexible, administratively efficient, equitable and economically efficient. **(8 marks)**

e) Discuss **any three** fiscal challenges highlighted in the current government of Eswatini budget speech facing the government. **(6 marks)**

Question 2

a) Using various current debt ratios for Eswatini, comment on the debt sustainability of the country. Given the fiscal challenges government is facing, what advice would you give policymakers on ensuring that debt levels are kept at sustainable levels? **(15 marks)**

b) Using examples from Eswatini tax regime, discern between direct and indirect taxes. Outline **six** advantages and **four** disadvantages of indirect taxes. **(15 marks)**

c) List five fiscal reforms that have been implemented by the government of Eswatini in the past five years. **(10 marks)**

d) List four types of fiscal rules used in fiscal policy implementation. Do you support the use of such rules? Explain. **(10 marks)**

Question 3

a) The company tax structure and rates are not the only factors that influence the decision to invest. Do you agree with this statement? Explain. Use examples where appropriate. **(10 marks)**

b) Outline five explanations for taxing companies. **(10 marks**

c) Using a graph, describe the relationship displayed by the Laffer curve. **(5 marks)**

d) Explain why property tax is unpopular. Use examples from Eswatini to support your explanation. **(5 marks)**

e) Use a graph to depict how price elasticity of demand affects the excess burden of a tax. **(10 marks)**

f) Define each of the following
   i) Inverse elasticity rule.
   ii) Statutory incidence of a tax.
   iii) Optimal taxation
   iv) Tax neutrality.
   v) Tax morality **(2 marks each)**