UNIVERSITY OF ESWATINI

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

RESIT 2021

TITLE OF PAPER: PUBLIC FINANCE II

COURSE CODE: ECO 406

TIME ALLOWED: TWO (2) HOURS

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

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY THE CHIEF INVIGILATOR.

Question 1 Compulsory (Total marks 40)

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) List the holders of foreign and domestic public debt in Eswatini. (4 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) Discern between internal and external debt. Provide the ownership structure for both internal and external public debt in Eswatini. List the various public debt ratios used to analyse public debt in an economy. (15 marks)

c) Discuss the reasons why corporate taxation might be considered as a major policy issue. (15 marks)

d) Discuss the ability to pay and benefit principles of taxation. Would the benefit principle be applicable in Eswatini? Use examples from Eswatini to support your response. (15 marks)

Question 3

a) Outline the different types of company tax. (5 marks)
b) In your opinion, should the government of Eswatini use passive or active fiscal policy when they manage the economy. Explain. Be sure to clearly differentiate between the two types of policies. (10 marks)
c) Discuss why tax incentives have failed to achieve desired results in the developing world. (15 marks)
d) Discuss the key roles of public debt from a government point of view. (10 marks)
e) Using a partial equilibrium approach, analyse the impact of an ad valorem tax. Use a diagram to support your analysis. (20 marks)

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