

**University of Swaziland**  
**Faculty of Social Science**  
**Department of Economics**  
**Final Examination Paper, May 2013**

**Title of paper :** Public Finance II

**Course Code :** Econ 409

**Time allowed :** Three (3) hours

**Instructions :**

- 1. Answer four (4) questions.**
- 2. All questions carry equal marks of twenty five (25) each.**

**Do not open this paper until the invigilator has granted permission.**

### Question 1

- a. What do you understand by the term tax incentives? (5 marks)
- b. While granting tax incentives to promote investment is common in developing countries, evidence suggests that their effectiveness in attracting incremental investments is questionable. Discuss. (20 marks)

### Question 2

- a. Explain fully five (5) major factors explaining a government deficit problem. (15 marks)
- b. Is financing government deficit by borrowing rather than raising taxes a best option? Support your answer fully. (10 marks)

### Question 3

- a. Swaziland introduced Value Added Tax (VAT) to raise revenue to lost SACU receipts, state two criticism of this plan of action. (10 marks)
- b. Explain fully why improvements in governance, especially the rule of law, will be important in order for policies to be implemented effectively and their full benefits realized. (15 marks)

### Question 4

Explain fully how the adoption of the following measures will improve the fiscal position of public financial management in Swaziland.

- a. Expenditure rationalization measures
- b. Reviewing government assets
- c. Economic diversification
- d. Private-public partnership
- e. Improvement to the legislative framework

(5 marks each)

### Question 5

Write short explanatory notes on the following types of taxes.

- a. Purchase or Sales tax
- b. Company income tax
- c. Personal income tax
- d. Customs duties
- e. Value-added tax (VAT)

(5 marks each)

### Question 6

- a. Define a public enterprise (PE). (5 marks)
- b. Over the years there has been a need for the government of Swaziland to privatize some private enterprises. State the advantages of disadvantages government has been faced with while carrying out this exercise. (20 marks)