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FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF ECONOMICS

RAIN SEMESTER EAMINATIONS, 2017/18 SESSION

COURSE CODE: ECO 408: Fiscal Policy Analysis

INSTRUCTION: Answer Q1 and any other two questions.

TIME: 2 hours

* Question 1. Answer True, False or Ambiguous and support your choice with reason(s).

- i. The distribution function of government in an economy has to do with correction of market failure. *True*
 - ii. In Zero-based budgeting, all projects, whether ongoing or new ones are revalued each time a new budget is being prepared. *True*
 - iii. A complete budget cycle consists of four phases starting with the Legislative phase and ending with Implementation phase. *False*
 - iv. Fiscal policy is a measure or combination of measures design to regulate and control government money supply and expenditure to achieve macroeconomic objectives in an economy. *Ambiguous*
 - v. Tax avoidance, which is punishable by jail term, occurs when an individual makes false return or fails to make returns for taxation and thus escapes from payment. *False*
 - vi. The traditional roles of public debts are allocation, distribution and stabilisation functions. *False*
 - vii. In Nigeria oil generates lesser revenue to the government compared to non-oil sources. *False*
 - viii. Capital gain tax and capital transfer tax are examples of indirect tax. *False*
 - ix. The Keynesian school of thought on fiscal policy believes that employment should be at equilibrium. *False*
 - x. Items under functional classification of government expenditure are personal services and benefits, contractual services and supplies, acquisition of fixed assets, and grants and fixed charges. *False*
- (30 marks)

- Q2. a. In great details, explain the Peacock-Wiseman theory of public expenditure (12 marks)
b. Does the theory supports government expenditure in the last two decades? Justify your answer (8 marks)

- * Q3. You are just appointed as the Special Assistant on Public Sector matters by the Minister of Finance. The Students of Department of Economics of your alma mater invite you to present a paper during their week on "The Rationale for Public Debt and Public Debt management in Nigeria". Prepare your presentation for the occasion. (20 marks)

- Q4. Demonstrate the effects of public expenditure on the economies of less developed countries. To what extent does your country adhere to the principles guiding public expenditures? (20 marks)

- Q5. On what ground will you subscribe to employing fiscal decentralization as a tool for grassroots economic development in Nigeria and at what level will you disagree? (20 marks)

BEST WISHES *(Signature)*