



"Investing in Africa's Future"

COLLEGE OF BUSINESS, PEACE, LEADERSHIP AND GOVERNANCE

MPM 206: PUBLIC FINANCE EXAM 1

END OF SECOND SEMESTER EXAMINATIONS

APRIL/MAY 2018

LECTURER: G Mandewo

DURATION: (3 HRS)

INSTRUCTIONS

Choose and answer **All Questions in Section A and Only three questions in Section B**

Total possible mark is 100

Start each question on a new page in your answer Booklet. Credit will be awarded for logical, systematic and neat presentations

Marks for each question are in parenthesis.

Use of non-programmable calculator is permitted

Best wishes!!

**DO NOT TURN THE PAGE UNTIL YOU ARE TOLD TO BEGIN
THE EXAM**

SECTION A

1. (a) Distinguish between economic and non-economic rationale for the existence of government [4 Marks]
- (b) Justify the first and second theorem of welfare economics as the basis of government existence. [4 Marks]
- (c) Why are externalities a valid reason for government intervention? [4 Marks]
- (d) Suggest practical ways a business can utilize to internalize externalities. [4 Marks]
- (f) Explain the following concepts in taxation:
 - i. Vertical and horizontal equity [4 Marks]
 - ii. Tax evasion and tax avoidance [4 Marks]
 - iii. Tax incidence and tax equity [4 Marks]
 - iv. Progressive and regressive tax [4 Marks]
 - v. Non-taxable bracket and zero rated goods [4 Marks]
 - vi. Direct and indirect taxes [4 Marks]

SECTION B

2. Taxation is the main source of government revenues in Africa
 - (a) Why is the tax base in Africa shrinking? [5 Marks]
 - (b) What are the problems associated with a government budget deficit? [5 Marks]
 - (c) Make a clear distinction between sustainable and unsustainable debt [5 Marks]
 - (d) Suggest practical ways that African governments may adopt to expand the tax base [5 Marks]
3. (a) What are the sources of non-tax revenues? [7 Marks]
- (b) Critique each source which you mentioned in item (a) above [7 Marks]
- (c) Why is corruption harmful in effectiveness and efficiency of taxing authorities? [6 Marks]
4. (a) State the various forms of intergovernmental assistance [5 Marks]
- (b) Discuss the main guidelines for intergovernmental assistance [10 Marks]
- (c) Why are levels of intergovernmental assistance different in different economies? [5 Marks]
5. (a) What is cash management systems? [6 Marks]

- (b) Discuss tax administration[7 Marks]
- (c) How can a government effectively implement an effective cash management system? [7 Marks]
- 6. (a) Explicitly illustrate a government budget cycle[5 Marks]
- (b) Using a case study country of your own choice relate the cycle [10 Marks]
- (c) Why is a budget cycle iterative? [5 Marks]
- 7. (a) What are inequalities? [2 Marks]
- (b) Demonstrate 5 methods of measuring inequalities[10 Marks]
- (c) Suggest practical ways that a government may adopt to bridge the gap between the poor and the rich with reference to a particular country of your own choice. [8 Marks]

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