



"Investing in Africa's Future"

FACULTY OF MANAGEMENT AND ADMINISTRATION

MPM202 PUBLIC ECONOMICS EXAM

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER/DECEMBER 2017

LECTURER: G. MANDEWO

DURATION: 3 HRS

INSTRUCTIONS

Answer **ALL** questions in Section A and three questions in section B.

Total possible mark is 100.

Start **each** question on a new page in your answer

Booklet.

SECTION A

1. Explicitly describe government budgetary authority and demonstrate application [10 Marks]
2. The weighted Scoring Model is considered a superior method for government projects appraisal to payback period. Give the arguments that support this assertion. [10 Marks]
3. Discuss the first and second theorem of welfare economics in the context of an Edgeworth box. [10 Marks]
4. Illustrate how a government may use taxes and subsidies to resolve the problem of externalities [10 Marks]

SECTION B

5. "The median voter theorem requires too many restrictive assumptions to be of practical use."
 - a. Explain the median voter theorem. [10 Marks]
 - b. Evaluate the statement given above. [10 Marks]
6. The government is planning to fund a new order of helicopters for the army.
 - a. Explain how the government's calculations of the costs and benefits of this policy might differ from those that the private sector would use. [10 Marks]
 - b. Discuss the extent to which public sector cost-benefit analysis is likely to produce an efficient allocation of public expenditure. [10 Marks]
7. Explain how public sector cost-benefit analysis can deal with each of the following issues and evaluate the methods available in each case.
 - a. The purchase of construction materials from a monopolist. [8 Marks]
 - b. Valuing life. [6 Marks]
 - c. The choice of an appropriate social discount rate [6 Marks]
8. What are the critical issues to be considered in intergovernmental assistance (IGA) and cash management systems (CMS)? [20 Marks]
9. Taxation is the main method used by governments to collect revenues. Explain the following concepts in taxation
 - a. tax base [4 Marks]
 - b. vertical and horizontal equity in taxation [4 Marks]
 - c. tax avoidance and tax evasion [4 Marks]
 - d. direct taxes [4 Marks]
 - e. tax rebates [4 Marks]
10. With reference to the Zimbabwean budget cycle trace events that make up the cycle. [20 Marks]

[END OF PAPER]