



**AFRICA  
UNIVERSITY**  
A United Methodist-Related Institution

***"Investing in Africa's Future"***

**COLLEGE OF BUSINESS, PEACE, LEADERSHIP &  
GOVERNANCE**

**COURSE CODE AND TITLE: MEC 206/MAC 206-Public Sector  
Economics/Principles of Public Finance**

**END OF FIRST SEMESTER EXAMINATION**

**MAY 2019**

**LECTURER: Mr L. NGENDAKUMANA**

**DURATION: 3 HOURS**

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***INSTRUCTIONS***

Answer **any Five questions**.

Total possible mark is 100

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

The marks allocated to **each** question are shown at the end of the section.

**Show all your workings.**

Credit will be awarded for logical, systematic and neat presentations.

### **Question One**

Briefly explain the following concepts:

- a. Pure public goods [2]
- b. External diseconomy [3]
- c. Pollution rights [3]
- d. Marginal external benefit [3]
- e. Laffer curve [3]
- f. Market failure [3]
- g. Social convention [3]

### **Question Two**

a. State and explain any 6 requirements of a good tax structure, which may be used as criteria to appraise the quality of a tax system and briefly explain each one of them.

[10]

b. “Equity principle of taxation” is said to be a basic criterion for tax-structure design. Explain this statement basing your argument to the objective of equity. [5]

c. In popular discussions, government revenue can be collected from non-tax sources. State and briefly explain 5 components of non-tax sources of government revenue

[5]

### **Question Three**

a. After defining the concept of public budget, explain its functions [10]

b. Outline and explain the effects government budget on the public services. [10]

### **Question Four**

a. Externalities are believed to be some of the causes of market failure. Assess this statement providing solid justifications [10]

b. What are other causes of markets failures and what corrective measures can be implemented by your government to overcome such problem? [10]

### **Question Five**

a. After defining the three arms of the government briefly state and explain their specific roles in the budgetary process. [10]

- b. Explain the importance of policy framework for enhanced participation of the three arms of government in the budgetary process. [10]

### **Question Six**

- a. “Modern governments provide a variety of services via the budget”. Assess this statement using the various categories of those services and briefly define each one of them and explain why the private markets fail to supply them. [10]
- b. Outline and briefly explain the various sources of government revenues and give 3 examples in each category [10]

### **Question Seven**

- a. Distinguish between pure public goods and impure public goods using their most salient characteristics. Give three clear examples of each of such goods [10]
- b. Given the answer in (a) explain why the market fails to provide pure public goods. [7]
- c. What can be done to overcome the problem in (b)? [3]

*End of paper*