



**AFRICA
UNIVERSITY**

A United Methodist-Related Institution

"Investing in Africa's Future"

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

COURSE CODE AND TITLE: MPM 220- Public Sector Economics

SUPPLEMENTARY EXAMINATIONS

JANUARY 2020

LECTURER: Mr L. NGENDAKUMANA

DURATION: 3 HOURS

INSTRUCTIONS

Answer **any five [5]** 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

- 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 Two

- a. State and explain the concept income inequality and provide its measurements. [10]
- b. What are the causes of such income inequality (a) and what policies can a government implement to overcome it? [10]

Question Three

- a. Distinguish between budget reforms and budget classifications. [10]
- b. Outline and explain the effects government budget reforms on the public services. [10]

Question Four

Briefly explain the following concepts:

- a. Mixed goods [2]
- b. External diseconomy [3]
- c. Marginal social benefit [3]
- d. Marginal private benefit [3]
- e. Inter government grants [3]
- f. Free rider problem [3]
- g. Social convention [3]

Question Five

- a. Distinguish between direct and indirect taxes as the major sources of government revenues and give 3 examples of taxes falling into each of the two categories. Which one of the two is commonly used by African governments? Explain your answer [10]
- b. Suggest policies which governments can implement to increase revenue generation [10]

Question Six

- 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. [10]

Question Seven

- 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 correctives measures can be implemented by your government to overcome such problem? [10]

End of paper