



A F R I C A

UNIVERSITY

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMPM 220/NMEC 206: PUBLIC SECTOR ECONOMICS

END OF SEMESTER EXAMINATIONS

NOVEMBER 2024

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TIME: 3 HOURS

INSTRUCTIONS

1. This paper contains **Six** questions.
2. Answer **four** questions.
3. Start each question on a new page.

1. There are several methodologies used by government to raise revenues. Explain the various methods used by governments to raise revenues. Critically evaluate the effectiveness of each method presented. **[25 Marks]**
2. Most governments actively engage in Intergovernmental Assistance. Based on the following key concepts
 - (a) Rationale for Intergovernmental assistance
 - (b) Procedures
 - (c) Guidelines

Explain the above three concepts based on a country of your own choice. You are required to further analyse the applicability of guidelines with reference to the same country you have chosen above. **[25 Marks]**

3. (a) The recent increase in toll gate fees from \$5 to \$10 for heavy duty trucks has induced a change of behaviour for Mutare- Harare bound truck drivers. In an attempt to avoid paying at the Magamba Toll they detour via Nyanga road. This is known as tax avoidance. Explain the difference between tax avoidance and tax evasion. **[5 Marks]**

(b) The three core functions of a budget are: the basis of tax policy, basis for financial control and as a financial programme. Explain each of the concepts giving examples. **[5 Marks]**

(c) Suggest practical ways in which the budget act as an instrument for redistribution of wealth **[5 Marks]**

(d) Explain the seven classical principles of appraising the budget. **[5 Marks]**

(e) Explain the principle difference between zero based budgeting system and incremental budgets **[5 Marks]**

4. The economic rationale for the existence of a government is captured by the following

- (a) First and second theorem of welfare **[10 Marks]**
- (b) Public goods **[5 Marks]**
- (c) Externalities **[5 Marks]**
- (d) Inequalities **[5 Marks]**

For each of the above explain how the government intervenes in the market to resolve the above. Critically discuss the shortcomings of a government in playing its role.

5. (a) What is an unsustainable debt? **[5 marks]**
(b) Discuss possible burden of the budget. **[5 marks]**
(c) Demonstrate a clear understanding of the following taxes
(i) Surtax **[2 marks]**
(v) Withholding tax **[3 marks]**
(d) Critically discuss other sources of government revenues other than taxation **[10 Marks]**
- 6 (a) What are the determinants of how much taxes should be affected? **[5 marks]**
(b) What is the difference between marginal tax rate and average tax rate? **[5 marks]**
(c) Make a clear distinction between tax evasion and tax avoidance. **[5 marks]**
(d) Suggest practical ways to reduce tax evasion **[5 marks]**
(e) What are some of the alternative methods of raising government revenues? **[5 marks]**

END OF EXAMINATION