



**PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 12BECO	LEVEL: 7
COURSE CODE: PFN712S	COURSE NAME: PUBLIC FINANCE
SESSION: JAN 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SUPPLEMENTARY/ SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
1. Answer ALL the questions. 2. Write clearly and neatly. 3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. PEN,
2. PENCIL
3. CALCULATOR

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Including this front page)

SECTION A

Multiple Choices just write down the letter e.g. A, B, C or D 2x10 = 20 Marks

1. A pure private good is
 - (a) nonrival in consumption and subject to exclusion.
 - (b) rival in consumption and subject to exclusion.
 - (c) rival in consumption and not subject to exclusion.
 - (d) all of the above

2. In a public goods context, it is difficult to measure impact on real income because
 - (a) public goods are generally free to the public.
 - (b) they make up a small percentage of total GDP.
 - (c) it is hard to measure how people value the public good.
 - (d) inflation decreases the value of the good

3. Movement from an inefficient allocation to an efficient allocation in the Edgeworth Box will
 - (a) increase the utility of all individuals.
 - (b) increase the utility of at least one individual, but may decrease the level of utility of another person.
 - (c) increase the utility of one individual, but cannot decrease the utility of any individual.
 - (d) decrease the utility of all individuals.

4. Public goods can be
 - (a) provided privately.
 - (b) provided publicly.
 - (c) subject to free rider problems.
 - (d) all of the above.

5. Externalities can be positive because
 - (a) marginal damages do not last over time.
 - (b) utility can be impacted positively as well as negatively.
 - (c) there is no concept for marginal benefit.
 - (d) positive externalities are subsidies.

6. A Pigouvian subsidy
 - (a) cannot exist with externalities.
 - (b) is the same thing as a Pigouvian tax.
 - (c) is measured in terms of Pigouvian dollars.
 - (d) moves production to the socially optimal level of output

7. Which method can help in obtaining a welfare improvement if externalities exist?
 - (a) Pigouvian taxes
 - (b) regulation
 - (c) assigning property rights and permitting bargaining
 - (d) all of the above

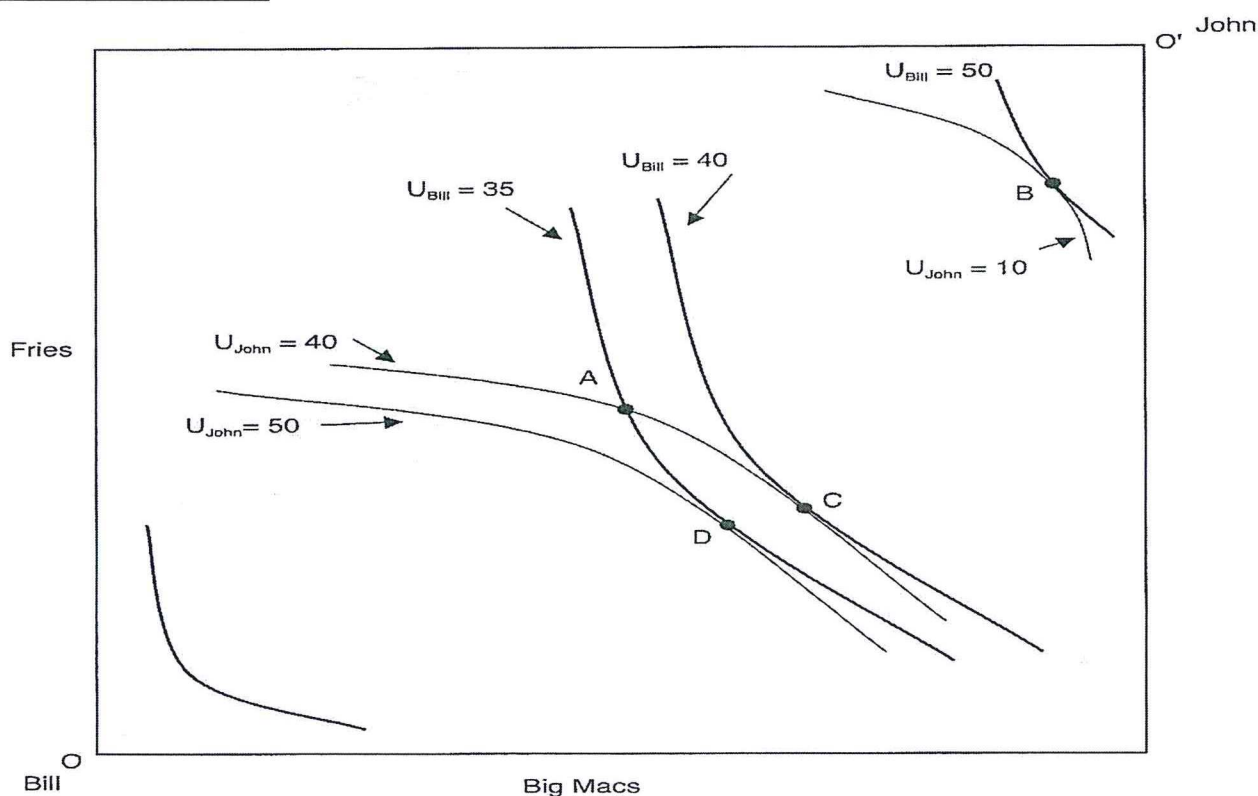
8. The economic incidence of a unit tax is
 - (a) generally borne by the buyers.
 - (b) generally borne by sellers.
 - (c) generally borne by the government.
 - (d) independent of the statutory incidence for the tax.

9. Marginal damages
 - (a) must always be considered in social marginal costs.
 - (b) must not be considered in social marginal costs.
 - (c) must sometimes be considered in social marginal costs.
 - (d) have nothing to do with social marginal costs.
10. An ad valorem tax is
 - (a) given as a proportion of the price.
 - (b) Latin for "buyer beware."
 - (c) identical to a unit tax.
 - (d) computed using the "inverse taxation rule."

SECTION B

[80 MARKS]

QUESTION 1 [30 marks]



1. Based on the information of an economy containing two people, Bill and John, and two goods, Big Macs and Fries, on the above graph answer the following questions
 - A. What is the term for a diagram like this? **(2)**
 - B. Explain who is happier at point A, B, C and D, and motivate your answer? **(8)**
 - C. Copy it into your answer-sheet and draw a contract curve (CC) on it. **(5)**
 - D. Pick a point E on your CC and draw the indifferent curve associated with that point? **(3)**
2. Discuss the two fundamental of welfare economics and the principle it stand for? **(12)**

QUESTION 2 [25 marks]

1. With the help of a diagram discuss the deadweight and the gone of taxation **(10)**
2. Discuss 6 aspects of identifying the need for tax reform in an economy tax system and relate to Namibian situation **(15)**

QUESTION 3 [25 marks]

1. Discuss the three effects of tax rate of Laffer theory of optimization tax? (15)
2. Discuss any two general remarks of tax incidence? (10)

[Total marks 100]

END