NAMIBIA 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 2020	**PAPER:** THEORY
DURATION: 3 HOURS	**MARKS:** 100

SUPPLEMENTARY/ SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	**EDEN TATE SHIPANGA**
MODERATOR:	**M. MBAHA**

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 3 PAGES (Including this front page)

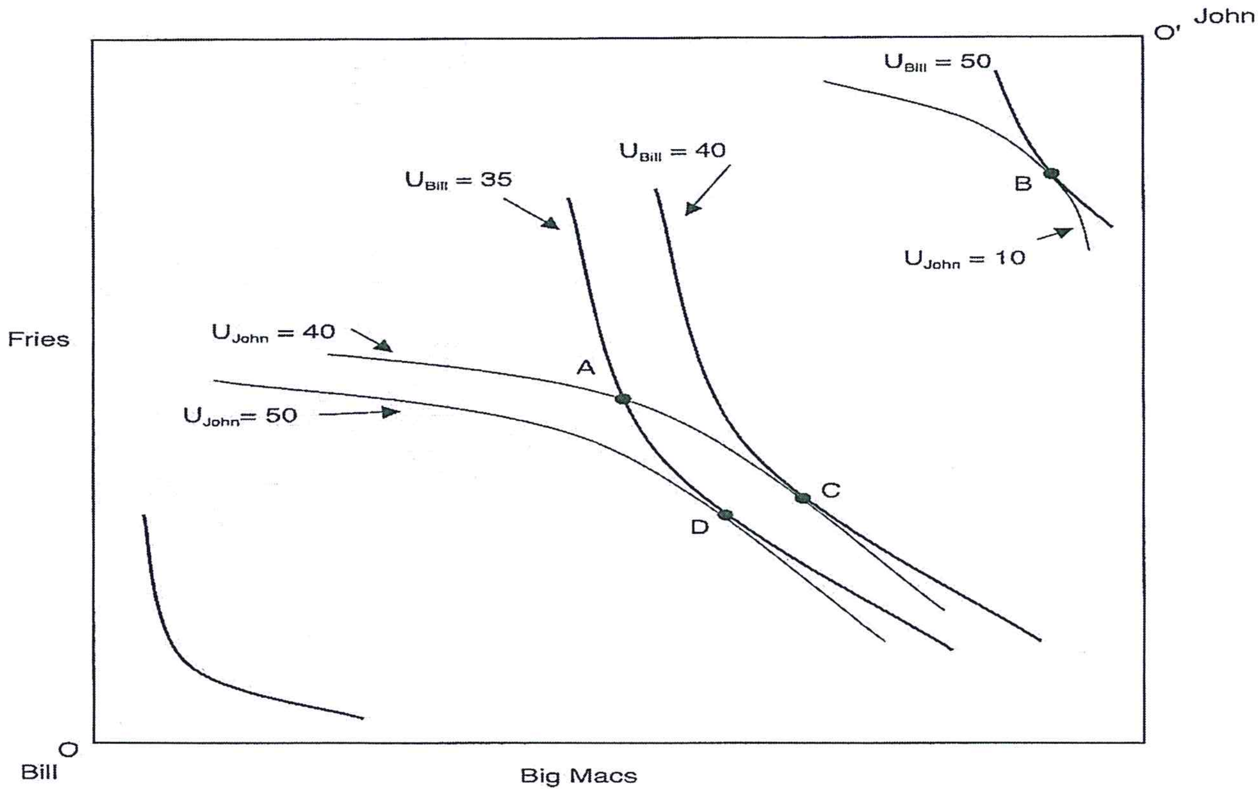
SECTION A

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

1. Pareto points in the Edgeworth Box are
   (a) found when indifference curves are tangent.
   (b) found when MRS are equal.
   (c) found when one person cannot be made better off without making another person worse off.
   (d) all of the above.
2. Positive economics
   (a) does not depend on market interactions.
   (b) only looks at the best parts of the economy.
   (c) examines how the economy actually works (as opposed to how it should work).
   (d) is very subjective.
3. The Coase theorem has problems because
   (a) generally, bargaining costs are not zero.
   (b) individuals are not concerned with others.
   (c) markets always exist.
   (d) all of the above.
4. 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
5. The marginal rate of substitution is
   (a) the slope of the Pareto curve.
   (b) the slope of the contract curve.
   (c) the slope of the utility possibilities curve.
   (d) the slope of the indifference curve.
6. The slope of the production possibilities curve is the
   (a) marginal rate of substitution.
   (b) contract curve.
   (c) marginal rate of transformation.
   (d) offer curve.
7. The First Fundamental Theorem of Welfare Economics requires
   (a) producers and consumers to be price takers.
   (b) that there be an efficient market for every commodity.
   (c) that the economy operate at some point on the utility possibility curve.
   (d) all of the above.
8. Market failure can occur when
   (a) monopoly power exists in the market.
   (b) markets are missing.
   (c) consumers can influence prices.
   (d) all of the above.
9. Points on the utility possibility frontier are
   (a) inefficient.
   (b) points of incomplete preferences.
   (c) not producible.
   (d) Pareto efficient.
10. Market mechanisms are unlikely to provide
    (a) prices.
    (b) nonrival goods efficiently.
    (c) supply and demand.
    (d) none of the above.

SECTION B **[80 MARKS]**

QUESTION 1 [25 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? **(1)**
   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. **(4)**
   D. Pick a point E on your CC and draw the indifferent curve associated with that point? **(2)**
2. Discuss the two fundamental theorem of welfare economics and the principle it stand for? **(10)**

QUESTION 2 [30 marks]

1. Briefly, elaborate upon the following terms:
   A. Organic view of government **(5)**
   B. Free-rider's problem. **(5)**
   C. Wagner's law **(5)**
   D. Global public good **(5)**
2. Give two scenarios in which we can objectively measure the impact of public expenditure? **(10)**

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