



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: PFN712S	COURSE NAME: PUBLIC FINANCE
SESSION: JUNE 2023	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Read all the questions carefully before answering.3. Number the answers clearly

THIS QUESTION PAPER CONSISTS OF _5_ PAGES (Including this front page)

1. Operational Efficiency is
 - (a) States that agencies should provide goods and services at a cost that achieves ongoing efficiency gains
 - (b) The budget system should facilitate reallocation from lesser to higher priorities and from less to more effective programs
 - (c) is the ability of a firm to produce as much output as possible with a specified level of inputs, given the existing technology.
 - (d) All of the above

2. 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

3. Positive Economics is based on:
 - a) Statements that contain opinions and value judgement. i.e. "what ought to be" or "what should be
 - b) based on factual statements and such statements contain no value judgement
 - c) Statements that cannot be settled by science or by an appeal to and such statement
 - d) All of the above

4. 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

5. 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.

6. Progressive tax
- a) is when a taxpayer pay higher taxes if he earns more income and lower taxes if he earns less
 - b) Is when low income individuals pay a higher percentage of their incomes in taxes, than richer individuals
 - c) a tax in which the tax rate decreases as the taxable amount increases
 - d) All of the above
7. 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.
8. The slope of budget line is called
- a) the diminishing marginal return
 - b) the marginal rate of substitution
 - c) the Marginal Rate of Transformation
 - d) the rate of marginal substitution
9. Movement from an inefficient allocation to an efficient allocation in the Edgeworth Box will
- a) Increase the utility of all individuals what explain the law of demand
 - 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
10. **Allocative efficiency**
- a) Tells us the relationship between the quantity allocated, and the price
 - b) Is about allocating resources such that the maximum utility is generated
 - c) Is the ability of a firm to produce as much output as possible with a specified level of inputs, given the existing technology.
 - d) All of the above

SECTION B: TRUE OR FALSE**10 MARKS**

1. The private sector and businesses are not involved at all in government budgeting process because they don't receive money from state.
2. Market failure refer to situation where government intervene and make things worse.
3. Transfer Payments are direct transfers in cash or in kind to poor individuals and households.
4. Namibia has never run a Budget surplus since independence.
5. Allocative efficiency relates to output.
6. Citizens have a legal right to payments from the government regardless of budget conditions.
7. Most externalities are negative, as the production process often entails byproducts, waste, and other consequential outcomes that do not have further benefits.
8. As long as the oil refinery company can pay the cost of pollution, it would be inefficient for the oil refinery to stop producing oil.
9. The Office of the President provides overall oversight of the budget and budgeting process in Namibia.
10. Marginal Rate of substitution implies that, as a consumer increases the amount of Good X, he will be willing to forgo the equivalent amount of Good Y.

SECTION C**[40 MARKS]****QUESTION 1****10 MARKS****Define the following terms;**

1. Pareto Efficiency
2. Tax reform
3. Technical efficiency
4. Externality
5. Budget Deficit

QUESTION 2**[5 MARKS]**

Define and explain the scope for Public Finance

QUESTION 3**[25 MARKS]**

Describe the five solutions to the problem of externalities

SECTION D**40 MARKS****QUESTION 1****[5 MARKS]**

Taxes are sometimes referred to as direct tax or indirect tax, distinguish between Direct and indirect taxes (with appropriate examples).

QUESTION 2**[10 MARKS]**

Describe the main disadvantages of VAT.

QUESTION 3**[15 MARKS]**

Explain the Basic Elements of Effective Government Budgeting

QUESTION 4**[10 MARKS]**

The tax table below indicate the amount of tax paid by individuals in four different income categories:

	Income 10 000	%	Income 20 000	%	Income 40 000	%	Income 60 000	%
Tax A	1000	10	2000	10	4000	10	6000	10
Tax B	800	8	1400	7	2600	6.5	3600	6
Tax C	400	4	1200	6	3000	7.5	5600	9.3

- i. Calculate the percentage tax paid (A, B & C) in each of the four different income categories.
- ii. Indicate the types of tax (tax A, B & C) employed in this scenario.