



HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

DEPARTMENT OF ECONOMICS AND FINANCE

MAIN EXAMINATION

BACHELOR OF COMMERCE DEGREE

PART 4 SEMESTER 1

PUBLIC FINANCE

HEF413

DATE

2024

DURATION

3 HOURS

GREAT ZIMBABWE UNIVERSITY
RECEIVED
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EXAMINATIONS OFFICE

INSTRUCTIONS TO CANDIDATES

- 1. Answer any four questions*
- 2. All questions carry equal marks*
- 3. Start each answer on a fresh page*
- 4. Show all workings, where applicable*

QUESTION 1

- (a) Discuss alternative means of financing government expenditures and the effects they have on the economy. [12 marks]
- (b) Critically examine at least four market-based alternatives for internalising externalities using diagrams that are properly labelled and described. [13 marks]
- [Total 25 marks]

QUESTION 2

- (a) Discuss the conditions for efficient output of a pure public good. [6 marks]
- (b) Discuss the Lindahl equilibrium for cooperative supply of a pure public good. [7 marks]
- (c) Using illustrations and examples, distinguish between:
- (i) Congestible public goods and price-excludable public goods. [6 marks]
 - (ii) Demand for a private good and demand for a public good. [6 marks]

QUESTION 3

- (a) Explain how voting decisions are influenced by tax shares. [5 marks]
- (b) Describe the role of political parties and special interest groups in the political process. [8 marks]
- (c) Discuss the characteristics of political equilibrium for a single public good under majority rule. [6 marks]
- (d) Discuss the following public finance concepts:
- (i) matching grants. [3 marks]
 - (ii) price-distorting tax [3 marks]
- [Total 25 marks]

QUESTION 4

- (a) Using clearly labeled diagrams, differentiate between a unit and an ad valorem tax. [10 marks]
- (b) Explain the factors that influence the impact of statutory and economic incidence of a tax. [15 marks]
- [Total 25 marks]

QUESTION 5

- (a) Discuss cost-effectiveness analysis and explain how it can be used to help government select the least-cost means of achieving given objectives. [10 marks]
- (b) Discuss the various public debt management strategies that can be used by the Zimbabwean government to solve the debt overhang problem. [15 marks]

[Total marks 25]

END OF EXAMINATION