



**National University of
Science and Technology**
Think in Other Terms



**FACULTY OF COMMERCE
DEPARTMENT OF FINANCE
MSc IN FINANCE AND INVESTMENT
PART I – 2nd SEMESTER SUPPLEMENTARY EXAMINATION - AUGUST 2011
PUBLIC FINANCE & DEBT MANAGEMENT [CFI 5106]
TIME ALLOWED: 3 HOURS**

INSTRUCTIONS TO CANDIDATES:

1. Attempt **Four Questions**, **Three** from Section A and **One** from Section B
2. All questions carry equal marks (25 marks)
3. Start the solution to each full question on a fresh page of the answer sheet.
4. Write legibly.

INFORMATION FOR CANDIDATES

The businesses in this question paper are intended to be fictitious

The paper contains SIX (6) questions.

All questions carry equal marks [25 marks]

Question 1

- a) Discuss the economic consequences resulting from using of the policy of deficit financing. [8 marks]
- b) Assess the influence and limitations of deficit financing in a developing economy. [9 marks]
- c) Examine the ways through which a deficit is financed. [8 marks]

Question 2

- a) Given the following data, construct Laspeyres' and Peaches's index numbers.

Year	Buckwheat		Mhunga		Maize	
	Prize	Quantity	Prize	Quantity	Prize	Quantity
1990	\$9	100 kgs	\$7	11 kgs	\$5	5 kgs
2001	\$5	90 kgs	\$4	10 kgs	\$3	3 kgs

[10 marks]

- b) Assess the steps an institution takes I constructing an index number. [8marks]
- c) Discuss the limitations one is confronted with whilst using index numbers. [7 marks]

Question 3

- a) Critically analyse the functions of the International Monetary Fund (IMF). [9 marks]
- b) Comment on the role of Special Drawing Rights. [8 marks]
- c) How far is it correct to say that the IMF is a banker of central banks [8 marks]

Question 4

The dual tasks of an economist are to explain how the economy works – positive economics – and to determine whether or not it is producing good results – normative economics.

- a) Paraphrase the above statement. [6 marks]
- b) Explain in detail the tools we use in positive economics. [9 ½ marks]
- c) Analyse the limitations one experiences whilst using positive economics tools. [9 ½ marks]

SECTION B

Question 5

- a) Discuss analytically the methods we apply in addressing external debt. [10 marks]
- b) In your view what are the economic factors behind low-income Africa. [7 marks]
- c) Examine the reasons that are stopping Zimbabwe government to apply for a highly indebted poor country's \$(HIPC) status. [8 marks]

Question 6

- a) Assess the origins of the debt crisis. Examine the reasons why economists have chosen certain dates? [9 marks]
- b) Critically analyse the structural roots of the debt crisis. [8 marks]
- c) Elaborate on the blame game on who were the major culprits responsible for bringing about the debt crisis? [8 marks]