

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY  
FACULTY OF COMMERCE  
DEPARTMENT OF FINANCE  
BACHELOR OF COMMERCE HONOURS DEGREE IN FICAL STUDIES**

**Optional: [Finance]  
PART II – 2<sup>ND</sup> SEMESTER FINAL EXAMINATION – AUGUST 2009**

**PUBLIC FINANCE [CFS 2202]  
TIME ALLOCATED: 3 HOURS**

**INSTRUCTIONS**

1. Attempt any **FOUR** Questions
2. All questions carry equal marks [25 marks]
3. Write legibly

**Question 1**

- a. Define index numbers. What are their limitations? **[10 marks]**
- b. Construct weighted price index numbers from the following data using Laspyre`s, Paasche`s, and, Fisher`s Ideal formulae.

Commodity	1990		2000	
	Price (\$)	Quantity (unit)	Price (\$)	Quantity (unit)
A	4	5	8	1
B	3	6	6	4
C	4	3	5	2

**(15 marks)**

**Question 2**

- a. Examine the concept of equity in taxation. **(12 ½ marks)**
- b. The equity of a tax system cannot be judged without reference to a system of public expenditure? Discuss. **(12 ½ marks)**

**Question 3**

- a. Why is public borrowing resorted to? **(15 marks)**
- b. Evaluate clearly internal and external borrowing. **(10 marks)**

**Question 4**

Discuss why the ratio of public expenditure to national income tend to grow in developing economy?. **(25 marks)**

**Question 5**

- a) What is meant by Pareto efficiency? **(10 marks)**
- b) Through a diagram show how Pareto efficiency can be achieved? **[15 marks]**

**Question 6**

In addition to tools of normative analysis, public finance also uses tools of positive analysis.  
Which are these positive analysis tools, and how reliable are they? **[25 marks]**