



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



FACULTY OF COMMERCE  
DEPARTMENT OF FINANCE  
MSc IN FISCAL STUDIES  
STAGE I FINAL EXAMINATION – MAY 2012  
PUBLIC FINANCE AND DEBT MANAGEMENT [CFS 5101]  
TIME ALLOWED: 3 HOURS

**INSTRUCTIONS TO CANDIDATES:**

1. Attempt Four (4) Questions, Two from Section A and Two from Section B
2. Write legibly.

**INFORMATION FOR CANDIDATES**

The businesses in this question paper are intended to be fictitious

Start each solution / answer on a new page in your answer book.

The paper contains SEVEN (7) questions.

All questions carry equal marks [25 marks]

**SECTION A: (ANSWER ANY TWO (2) QUESTIONS IN THIS SECTION)**

**QUESTION ONE**

- a) “Market failure is an extremely important feature of market systems.” By C.V. Brown, and P.M. Jackson. Elaborate. [6 marks]
- b) Critically analyse factors that are responsible for market failures. [10 marks]
- c) Explain in detail what the following statement refers to; “Production of too much of some goods and an insufficient quantity of others.” [4 marks]
- d) Assess how unemployment, inflation, and disequilibrium contribute to the market failures? [5 marks]

**[TOTAL 25 MARKS]**

**QUESTION TWO**

- a) “Public finance is concerned with the income and expenditure of public authorities and with the adjustment of the one to the other.” By Professor Hugh Dalton. Paraphrase the above statement. [5 marks]
- b) Explain analytically the significance of public finance. Base your interrogation on the aspects that have been added to the discipline in recent years. [10 marks]
- c) From the following branches of public finance:
  - Public revenue,
  - Public Expenditure,
  - Public debt and
  - Financial administration

Choose only two branches and then assess in detail their relevance to public finance. [10 marks]

**[TOTAL 25 MARKS]**

**QUESTION THREE**

- a) Construct index numbers of price from the following data by applying:
  - i. Fisher’s Ideal method,
  - ii. Pasche’s, method and
  - iii. Laspeyres method

Commodities	2001		2002	
	Price	Quantity	Price	Quantity
A	2	8	4	6
B	5	10	6	5
C	4	14	5	10
D	2	19	2	13

[10 marks]

- b) Explain in detail the steps an institution takes in constructing index numbers. [8 marks]
- c) Discuss analytically the uses of index numbers in public finance. [7 marks]

**[TOTAL 25 MARKS]**

#### **QUESTION FOUR**

- a) Compare and contrast the efficiency of maximum social advantage model to that of Pareto's optimality. In your answer you are advised to use diagrams. [10 marks]
- b) In three paragraphs comment on whether the Pareto's model has any sense of practicability. [7 marks]
- c) For Pareto's optimality model to operate certain conditions must be in place; which are these conditions? Discuss them in detail. [8 marks]

[TOTAL 25 MARKS]

#### **SECTION B (ANSWER ANY TWO (2) QUESTIONS IN THIS SECTION)**

#### **QUESTION FIVE**

- a) Assess in great depth the origins of the debt crisis. Examine the reasons why economists have chosen certain dates as origins of the debt crisis. [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. [8marks]

[TOTAL 25 MARKS]

#### **QUESTION SIX**

- a) Examine the reasons that are stopping the Zimbabwean government from applying for a highly indebted poor country's status. [8 marks]
- b) Evaluate critically the methods that are applied in addressing external debt. [9 marks]
- c) In your view what are the economic factors behind low-income Africa. Discuss these factors in detail. [8 marks]

[TOTAL 25 MARKS]

#### **QUESTION SEVEN**

- a) Examine analytically the benefits and dangers of public borrowing. [9 marks]
- b) Comment on the statement that, an internal public debt imposes no burden on the community compared to external public debt. [8 marks]
- c) Assess the economic effects of a rising public debt. [8 marks]

[TOTAL 25 MARKS]

**END OF EXAMINATION PAPER**