



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

Bachelor of Commerce Honours Degree in Public Administration

Public Sector Economics

HPAD212

Part 2 Semester 1 Examination

Total Marks [100]

Date: June 2018

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. Examine any **five** of the various sources of market failure citing relevant examples. (25)
2. Discuss the role of government in the **three** different types of economic systems. (25)
3. Explain the following theories and terms:
 - a) Coase theorem (5)
 - b) Maxy's theorem (5)
 - c) Pareto efficiency and individual (5)
 - d) Niskanem's theory of bureaucracy (5)
 - e) Negative externalities (5)
4. Evaluate the **five** desirable characteristics of a tax system as they relate to the Zimbabwe situation. (25)
5. Explain the merits and demerits of distribution programmes in promoting equality and poverty alleviation in Zimbabwe. (25)
6. The government would want to implement either project A or B whose outflows and inflows are tabulated below:

	PROJECT A	PROJECT B
Year	Cost-benefit flow	Cost-benefit flow
0	- \$1 000	- \$1 000
1	\$400	\$200
2	\$300	\$400
3	\$250	\$500
4	\$150	\$200

Cost of capital is 8.4%

- a) Which of the **two** projects should be implemented if the
- i) NPV method is used as the basis of evaluation. (11)
 - ii) Payback method is used as the basis of evaluation. (11)
- b) Which of the **two** methods; the NPV and payback period, would you prefer? Justify your answer. (3)

End of paper