



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN PUBLIC
ADMINISTRATION**

PUBLIC SECTOR ECONOMICS

HPAD 202

PART 2 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: JULY 2022

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. With the aid of practical examples, justify government intervention in the economy [25 marks]
2. Distinguish between the following categories of public debt
 - i. Internal and External Debt [5 marks]
 - ii. Voluntary and Compulsory debt [5 marks]
 - iii. Productive and unproductive debts [5 marks]
 - iv. Redeemable and Irredeemable Debt [5 marks]
 - v. Funded and unfunded debts [5 marks]
3. a) Evaluate Wagner's Law of Increasing state activities. [16 marks]
b) Explain any three (3) reasons for government borrowing, citing relevant examples. [9 marks]
4. Examine the following as used in Public sector economics:
 - i. Private goods [5 marks]
 - ii. Public goods [5 marks]
 - iii. Non-rivalry nature of public goods [5 marks]
 - iv. Non-excludable nature of public goods [5 marks]
 - v. Externalities [5 marks]
5. a) Examine any 5 arguments in favour of public enterprises. [16 marks]
b) Explain any three principles/criteria of an effective tax system. [9 marks]
6. Examine any 5 functions of public finance in an economy, citing relevant examples. [25marks]

End of Paper