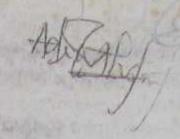
The PRINCE

## OLABISI ONABANJO UNIVERSITY, AGO-IWOYE FACULTY OF MANAGEMENT SCIENCES DEPARTMENT OF ECONOMICS 2005/2006 FIRST SEMESTER EXAMINATION



-COURSE: ECO 307: PUBLIC FINANCE

INSTRUCTION: (1) ATTEMPT ALL QUESTION IN SECTION A AND B AND ANY ONE FROM SECTION C

(2) THINK WELL BEFORE ANSWERING, BECAUSE ANY CANCELED OR ALTERED ANSWER WILL SCORED ZERO

TIME ALLOWED: 1 HOUR 15 MINUTES

## SECTION A

i. All of these are principles already used in Nigeria for revenue sharing among the various tiers a government except:

(a) Principle of Needs (b) Principle of Even Development (c) Principle of Land Area

(d) Principle of absorptive Capacity.

(a) Individuals; Firms (b) Market prices; Market incomes

(c) Oceans; Streams (d) None of the above

iii. Which of the following is a public good?

(a) Public defense (b) Public television (c) Community Library

(d) All of the above

iv Which of these is not a source of government revenue?

a. Taxation b. Money creation c. Borrowing from the credit market

d. Printing of money

w Which of these is not an advantage of Zero-Base Budgeting System?

a. It avoids the problem of incrementation that unnecessary expenditure is continued without consideration.

b. It provides a strong base for budgeting and planning by reducing the tendency of ham obsolete expenditure items in the budget since it takes a fresh look each item base current conditions.

approaches in the decision package and promotes efficiency.

I. It emphasizes on short-term benefits to the detriment of long-term benefits.

vi. Borrowing leads to;

a. Creation of new purchasing power (b) Redistribution of purchasing power

c. Transfer of purchasing power (d) a and b only

Taxes placed on goods and services with the sole aim of discouraging its consumption is called (a) Advelorem Tax (b) Consumption tax (c) Sumptuary tax (d) Value anded tax

xiii Which of these statements is correct? When government prints money

a) There is a shift of purchasing power

b) There is a creation of new purchasing power

c). None of the above

d) All of the above

ix. A balanced budget is present when

a) The economy is at full employment

b) The actual level of aggregate spending equals the planned level of pending

c) Public sector spending equals private sector spending

d) Government revenues equal expenditures

x. Indirect taxes may be preferred to direct taxes because they

a) They are less likely to distort the choice between work and leisure

b) Will have little impact on the pattern of demand

c) Will result in a more even distribution of income

d) Are unlikely to raise the prices of goods and services

xi. A regressive tax is defined as one which require

a) High income earners to pay more in tax than low income earners

b) High income earners to pay a higher proportion of their income in taxes than income earners

	the people.
	b) It serves as a mechanism for ensuring adequate control over expenditure and revenue
	c) It is a way of causing dispute between the executive and legislative arms of government
	Continues for the
	A List actual performance of the public source
	d) It serves as a yardstick against which actual performance of the
	measured
XIII.	Inflation can also be referred to as:
	(a) Private tax (b) Public tax (c) Hidden Tax (d) Sumptuary tax
xiv.	Which of these is not a type or form of externality?
	a. Pecuniary externality
	b. Consumption externality
	c. Pollution externality
	d. Pollution externality
	A U also are avamples of direct taxes except
XV.	LY Company profit fax C) Value added tax
	a) inticinance tax of confine
	d) Personal income tax
	SECTION B
Fill in	the Gaps (20 Marks)
1	The basic principle guiding revenue allocation in Nigeria is The basic principle guiding revenue allocation in Nigeria is agent has a beneficial impact on the
::	A situation where the economic activity of an observed
11.	economic activity of another agent is called
13	Debt management strategies is called by
iii.	Debt management strategies is called
IV.	The displacement effect hypometric
	tax
V.	Shifting of a tax burden is possible when the tax  Shifting of a tax burden is possible when the tax  Shifting of a tax burden is possible when the tax
	foil or different some toy are evanuales of
vi.	Inheritance and capital gain tax and company income tax are examples of the capital gain tax and company income tax are examples.  The amount by which government revenue exceeds government spending is called government.
vii.	The amount by which government revenue exceeds government
	budget aggregate demand and atc
viii.	budget
	supply is called the sources of funds to mance
	According to the federal government's budget constraint, the sources of funds to mance
ix.	According to the road.
	expenditures are
	and intervene in the economy are
X.	The various reasons why government intervene in the economy are
	and and
	AND OTHER OTHER TION
	SECTION C: ATTEMPT ONLY ONE QUESTION
-	
Ques	tion 1
(a)	Why do we pay tax
(b)	Why do we pay tax Why do the government of your country make budget?
Ques	tion 2
(a)	Hamize six sourcefot government revenue in right
3326	Given the national equilibrium equation as
(b)	
	$Y = \frac{a - bT_0 + I + G + X - M}{I - b + bt + m}$
	$Y = \frac{1 - b + bt + m}{1 - b + bt + m}$ Where: $C = 180 + 0.76Y$ , $T = 600 - 0.41Y$ , $M = 550 + 0.2Y$ , $G = 1100$ , $I = 460$ , $X = 280$ and $R = 100$
	$C = 190 \pm 0.76$ $T = 600 - 0.4$ $M = 550 \pm 0.2$ $M = 100, T = 400, X = 400$
	Where: C = 180 1 0.701,
	230 (All information in N, Billion)
\$5 E F	t d d a de a frantistististis de la contraction
	use the concept of untidier to verify the
	use the concept of multiplier to verify the

All taxpayers to pay the same absolute amount of their income in taxation

All but one of these is not a purpose of budgeting in the public sector

c) d)

a)

xii.

consumers.

the people.

High income earners to pay a lower proportion of their income in taxes than low

It serves as an aid in the determination of government activities to satisfy preference of