

**BOWEN UNIVERSITY, IWO**  
**FACULTY OF SOCIAL AND MANAGEMENT SCIENCES.**  
**DEPARTMENT OF BANKING AND FINANCE.**  
**FIRST SEMESTER EXAMINATION 2013/2014 SESSION.**

COURSE CODE: BFN 316

COURSE TITLE: PUBLIC FINANCE 1

TIME ALLOWED: 2Hrs 30Mins

**INSTRUCTION: ATTEMPT QUESTION NUMBER ONE PLUS ANY OTHER THREE QUESTIONS.**

- 1a. Explain or define the concept of the consumer and producer surplus. Given the demand function  $75-10x$  and the supply function  $5+10x$ . Determine the Consumer and Producer surplus. Explain your answers in the context of your definition or explanation. 13marks.
- 1b. If the equilibrium quantity demanded of a product is 20units and the equilibrium price is #100. Determine the consumer surplus if the demand function is given as  $Dx=200+10x$ . 6marks.
- 1c. If the supply function is  $Sx=8x$  and the equilibrium quantity supplied is 10units while the equilibrium price is #60. Determine the producer surplus. 6marks.
2. What are the main items of Government expenditure? Discuss briefly the canons of public expenditure and the effects of public expenditure on: Diversion of resources. Income distribution. Economic stability and Economic development. 15marks.
- 3a. Discuss the similarities and differences between public and private finance.
- 3b. What are the functions of public finance. 15marks.
- 4a. Advance reasons for the imposition of tax and discuss the characteristics of a good tax system.
- 4b. With the aid of graphical illustrations, explain the incidence of tax on a commodity whose demand is perfectly inelastic and perfectly elastic. 15marks.
- 5a. Define or explain the term fiscal policy stating clearly the objectives.
- 5b. List four (4) fiscal tools and explain how they can be used to achieve the fiscal objective of stabilization. 15marks.