

BOWEN UNIVERSITY, IW0.

FACULTY OF SOCIAL AND MANAGEMENT SCIENCES

DEPARTMENT OF BANKING AND FINANCE

BSc DEGREE PROGRAMME

SECOND SEMESTER EXAMINATION.

2013/2014 SESSION

COURSE CODE: BFN326.

COURSE TITLE: PUBLIC FINANCE II

INSTRUCTION: ATTEMPT QUESTION ONE PLUS ANY OTHER THREE QUESTIONS.

TIME ALLOWED: 2HRS 30MINS.

- 1a. Explain or define the term National Income. A National Income Statistician came down with the following statistics: Income from employment =240; Income from self-employment =40; Profits of public and private corporations =20; Residual error= 6; Rents = 15; Income from abroad = 15; Income to abroad = 20; Depreciation = 30; Imputed charge for the consumption of non-trading capital = 5. All figures are given in millions of Naira. Estimate for him the GDP, GNP and the NNI using the Income Approach.
- 1b. Given the National Income model $Y = C + I_o + G_o + X_o - M$. Where Y = National Income, C = Consumer Expenditure, I_o = Investment Expenditure, G_o = Government Expenditure, X_o = Value of Exports, M = Imports, T_o = Taxes. In addition, you are given that $C = 180 + 0.6(Y - T_o)$; $M = 20 + 0.2Y$; $G_o = 40$; $X_o = 25$; $I_o = 30$; $T_o = 10$. All figures are given in millions of Naira. You are required to estimate the equilibrium National Income.
- 1c. If the Investment Expenditure is increased by #6mill, Government Expenditure is increased by #4mill, and tax revenue decreased by #1.5mill, What is the new equilibrium National Income? Comment on your result. **25marks.**
2. Differentiate clearly between development plans and public budget under the following sub headings: Meaning or definition, Objectives, Sources of finance and Reasons for the low levels of success of each. **15marks**
- 3a. Discuss in detail how Public Debt, Government Expenditure, Taxes, Budget and Subsidies could be used either separately or combined to achieve the objectives of fiscal policy in Nigeria.
- 3b. Examine the effects of public expenditure on Economic Stability and Economic Development. **15marks**
- 4a. What do you understand by the term Debt Management? State the objectives of Debt Management and discuss the techniques that can be used to achieve these objectives.
- 4b. What are the roles played by Public Debt in the Economic Development of a country. **15marks.**

- 5a What are the similarities and the differences between the three approaches to the estimation of National Income.
- 5b. What are the limitations in using National Incomes to compare the standard of living between Nigeria and the United States of America?

15marks.

6. (a) What are the characteristics and the objectives of a good budget?
- (b) Explain the following budgetary concepts: Balanced budget, Surplus budget, and Deficit budget. What are the advantages and disadvantages of surplus and deficit budgets?

15marks.