CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI

CSUC SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING & FINANCE

BACHELOR OF BUSINESS ADMINISTRATION
End of Second Semester Examination, 2019/2020 Academic Year
Level 400

CSBF 424: PUBLIC FINANCE

JUNE, 2020   **TAKE HOME EXAMS**   **[100 marks]**

INSTRUCTIONS TO CANDIDATES:

- **Answer TWO Questions (for 50 marks each)**
- Write your answer on the **answer sheets provided**
- **Your answer for EACH QUESTION should be FOUR (4) pages minimum.**
- *Please present your answer in ESSAY form as much as possible unless otherwise stated.*
- Write your index number clearly at the top of every page of the answer sheets used.

Note: Marks will be awarded for:

- Introduction
- Content
- Conclusion
- Evidence of Further Reading
- Originality and Independence (Cheating would be penalized and integrity rewarded)
- Correct grammar, clarity of expression and logical presentation of facts.
- Answers to questions must be well referenced.

- Candidates are to pay attention to detail and clarity of presentation to earn bonus marks

1. Social policies are generally described as all policies intended to reduce poverty and social inequality among citizens. They are aimed at reducing the social and economic challenges that arises out of economic changes; particularly on the poor while ensuring an improvement in national wellbeing. In Ghana, the political economy is characterized by several views concerning the capacity of governments to execute appropriate social policies that will improve access to education, health, jobs and support for income generating activities. One thing that is however clear is that the effective implementation of social policies will go a long way in helping the country to achieve its sustainable development goals (SDGs) by 2030.

   Using the 2020 budget:

   a. Highlight the social interventions or policies that were implemented in Ghana in the previous year.

      10 marks

   b. Pinpoint some of the achievements and challenges encountered.

      10 marks

   c. Highlight some of the social policy initiatives that the government has proposed for 2020.

      10 marks

   d. What are the implications of these policies on the poor, in terms of economic safety net?

      12 marks

   e. In your estimation, how will these policies can contribute to the attainment of the SDGs?

      8 marks

   Total Marks = 50 marks

2. The onslaught of the novel COVID-19 pandemic has disrupted the daily routine of individuals and economic activity around the world. Since its breakout in Ghana, in March 2020, various restrictions have been imposed by the government of Ghana, in order to reduce the threat on human lives, save businesses and jobs; and provide general safety to citizens in the country. Until now the total case count is a little over 6800, with approximately 32 deaths.

   However over time there is an outcry by a section of Ghanaians for the government to ease restrictions in order to facilitate economic activity, income generation and return the state to normalcy. Proponent of this argument, have proceeded to suggest measures that can be put in place

to ensure that Ghanaians are able to live with the virus. Others on the other hand believe that restrictions need to be maintained, if not enhanced; until there is a scientific prove that case count and the rate of infections are all taking a nosedive.

a. As a student of public finance, highlight some of the policy measures that the government of Ghana had put in place to reduce the spread of COVID-19 in Ghana?

10 marks

b. What innovative policy measures would you suggest the government to put in place should it decide to remove the ban on social gatherings whilst ensuring human safety? [HINT: focus on education, religious activities and entertainment industry].

15 marks

c. Suppose the government decide not to ease the ban on social gatherings, what advice can you also give to the government in order to ensure that the economic costs on households and businesses are minimized?

25 marks

Total Marks = 50 marks

3. The devastating effect of small scale mining activities in Ghana, has been a subject of immense discussion in the country in recent times. According to experts, due to the externality generated in small-scale mining activities, efficiency in the small-scale mining sector can never be achieved without state intervention. The government of Ghana, in conjunction with its development partners has consequently implemented a number of initiatives (such as operation vanguard) in a bid to regularize small-scale mining operations in the country.

a. Explain the nature of externality experienced in small-scale mining activities in Ghana?

10 marks

b. Explain why the existence of these externalities will not ensure optimal small-scale mining activities?   10 marks

c. Discuss some of the interventions put in place by government to streamline small-scale mining operations in Ghana? How effective has these policies been?

15 marks

d. Using the Coarse theorem, explain how the government can ensure socially-optimal small-scale mining activities in Ghana?   15 marks

Total marks = 50 marks

4 (a)   The following table shows the marginal benefit of a service for 4 consumers

Marginal Benefit of Consumers

Quantity	A	B	C	D
1	1000	800	600	400
2	800	600	400	200
3	600	400	200	100
4	400	200	100	50

i)   Suppose the service is a pure private good and is sold in a competitive market with only buyers being the four consumers (A, B, C, D) whose marginal benefits are shown in the table above. If the market price of the product is GHc400, what is the quantity demand?

- 5 marks

ii)   Suppose the service is a pure public good with the only consumers being consumers A, B, C and D with the associated marginal benefits shown in the table above. What is the marginal social benefit of **two units** of the service?

- 5 marks

iii)   If the marginal social cost of the good is GHc1300, what is the efficient output assuming if the good is a pure private good?

- 5 marks

iv)   If the marginal social cost of the good is GHc1300, what is the efficient output assuming if the good is a pure public good?

- 10 marks

Sub Total = 25 marks

(b)   The supply of paper is described by the following equations:

$$Supply: \quad Q^s = 5P$$
$$Demand: \quad Q^d = 42 - P$$

Where **Q^s** is tons supplied per year, **Q^d** is the demand per year and **P** is the price per ton. Assume further that the marginal external cost (MEC) of paper production is GHC2. If the paper is sold in a competitive market,

    i.   What is the market price?   -5marks

    ii.   How many tons of paper will be purchased per year at that price? 5 marks

    iii.   What is the efficient annual output of paper?   -5 marks

    iv.   How can a corrective tax achieve efficiency?   -5 marks

    v.   Suppose the marginal external cost (MEC) of paper production increases to GHc 4 what is the new socially efficient level of paper production? 5 marks

Sub Total = 25 marks

Total Marks = 50 marks