

Course No: BUS2220  
Course Title: Public Finance  
Date: 31/3/2015  
No. of Questions: (2)  
Time: 2 hours  
Using Calculator (No)

University of Palestine



Midterm Exam  
2014/2015  
Total Grade: 50

Instructor Name: Dr. Gaber H. Abugamea  
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Using Dictionary (No)

**Question One: Explain (show) (20 marks)**  
**four the following;**

- 1- Combined causes of market failure.
- 2- Demand for private goods compared with that of public goods.
- 3- Efficient provision of social good rules compared with a private one.
- 4- Choice of optimum in case of social goods compared with that of private goods.
- 5- Budgetary provision in case of external benefits compared with that of external cost related to mixed goods.

**Question Two: -Evaluate the following statements? (True, False, why) (30 marks)**

- 1- Defence, human resources and education are examples of expenditures by levels.
- 2- Both merit goods and social goods based on the basis of consumer sovereignty.
- 3- Monetary instruments of stabilization policy include reserve requirements and discount rates only..
- 4- The way by which interest group try to effect the fiscal process and how do legislators respond to these pressures are normative aspect of public finance analysis.
- 5- Spatial limitation of benefits in case of public good means that the benefit are include all population.
- 6- Budget policy involves a number of distinct objectives, but these overlap in practice, so we need a design which does justice to its diverse goals..
- 7- Tax and expenditure policies affect aggregate demand and the level of economy activity..
- 8- Efficient resource use in case of private good requires the marginal rate of substitution in consumption to be different for all consumers.
- 9- Circular flow of the economy involves the reaction among the actors, households, firms government and factor, product and capital markets..
- 10- Between the extremes of purely private and purely public goods various mixed cases are found..
- 11- The role of public sector can be traced in case of moving from National income to personal income but not to Disposable income..
- 12- What criteria should be applied when one is judging the merit of various budget policies requires a positive perspective of economic analysis..
- 13- Fiscal instruments of distribution policy include tax scheme only.
- 14-  $GNP - \text{capital consumption allowances} = \text{net national product} - \text{Indirect business taxes} + \text{subsidies} = \text{National Income}$ .
- 15- Instruments of stabilization policy involve both monetary and fiscal measures and their interaction is of great importance.

**End of Questions**  
**Good Luck**

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