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**GABA CAMPUS – ELDORET**  
**MAIN EXAMINATION**  
**MAY– AUGUST 2022 TRIMESTER**  
**SCHOOL OF BUSINESS**  
**DEPARTMENT OF MARKETING AND MANAGEMENT**  
**CEC 412: ECONOMIC DEVELOPMENT**

<b>Date:</b> July 2022	<b>Duration:</b> 2 Hours
<b>Instructions:</b> Answer Question <b>ONE</b> and any other <b>TWO</b> Questions	

**QUESTION ONE**

- a) Define the term Public Finance. **(5 Marks)**
- b) Distinguish between positive and negative externalities. **(5 Marks)**
- c) Illustrate social efficiency using Edge worth Box. **(5 Marks)**
- d) What are the sources of government revenue? **(5 Marks)**
- e) Distinguish between regressive and progressive taxes. **(5 Marks)**
- f) Distinguish between Public goods and Private goods. **(5 Marks)**

**QUESTION TWO**

- a) Explain the sources of Market Failures. **(10 Marks)**
- b) Explain how the government intervenes to correct market failures. **(10 Marks)**

**QUESTION THREE**

- a) Explain the economic disadvantages of negative externalities. **(10 Marks)**
- b) What are the remedies for negative externalities? **(10 Marks)**

#### **QUESTION FOUR**

- a) Distinguish between Tax incidence and Tax burden. **(10 Marks)**
- b) Explain the how Fiscal Policy can be used for national income and demand management. **(10 Marks)**

#### **QUESTION FIVE**

- a) Explain the Pareto optimality using the Edge worth Box. **(15 Marks)**
- b) Distinguish between Budget surplus and Budget deficit. **(5 Marks)**

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