



**UNIVERSITI KUALA LUMPUR
BUSINESS SCHOOL**

**FINAL EXAMINATION
JULY 2025 SEMESTER**

COURSE CODE : EGB30903
COURSE NAME : PUBLIC FINANCE
PROGRAMME NAME : BACHELOR OF SCIENCE (HONOURS) IN
ANALYTICAL ECONOMICS
DATE : 20 SEPTEMBER 2025
TIME : 9.00AM – 12.00PM
DURATION : 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given on this question paper.
2. This question paper has information printed on both sides of the paper.
3. This examination comprises **TWO (2)** sections
4. You are required to answer **ALL** questions in both sections.
5. Please write your answer in the answer booklet provided.
6. All questions must be answered in **English** (any other language is not allowed).
7. This question paper must not be removed from the examination hall.

THERE ARE FOUR (4) PAGES OF QUESTIONS, INCLUDING THIS PAGE.

SECTION A (Total: 30 marks)

INSTRUCTION: Indicate whether each of the statement in this section is true or false and **BRIEFLY EXPLAIN** your answer. Answer **ALL** questions in this section in the answer booklet provided.

- (a) A firm whose financing activities are sourced from borrowing and/or issuing bonds will have to pay more of income taxes to the government.
(5 marks)
- (b) A Muslim taxpayer in Malaysia that pays for *zakat* (compulsory charitable giving) is not entitled for tax rebate, which means he or she is required to pay both income taxes and *zakat*.
(5 marks)
- (c) Median voter theorem only works under the assumption of single dimensional public affair.
(5 marks)
- (d) Arrow's impossibility theorem argues on the impossibility of a ranked voting system that satisfies all fairness criteria simultaneously.
(5 marks)
- (e) The effect of payroll taxes on workers can theoretically relieve through the employment fringe benefits.
(5 marks)
- (f) Cheng receives monthly allowance by the Department of Community Welfare (JKM) under the premise of physical disability. His allowance falls under the type of categorical-welfare programme.
(5 marks)

SECTION B (Total: 70 marks)

INSTRUCTION: This section comprises **TWO (2)** questions that carries 35 marks each. You are required to answer **ALL** questions in this section in the answer booklet provided.

Question 1

Suppose that the marginal damage (in \$'00) of a global water pollution is given as $MD = -0.25x + 56$, such that x is the level of treatment for every ten of thousand metric ton. Currently the global marginal cost of treatment is given as $MC = 0.5x + 8$. However, after a series of audits and reassessments, it was discovered that the true marginal cost of treatment is given as $MC = 0.5x + 20$.

- (a) Determine the initial equilibrium cost and level of treatment for this global water treatment market.

(3 marks)

- (b) What is the new equilibrium cost and level of treatment after the reassessment?

(3 marks)

- (c) Suppose that the government levies environmental tax on untreated water to be constant at the initial equilibrium level, analyse the impact of quantity regulation and taxes on the global treatment of water through an appropriate illustration of a diagram. You must incorporate your answers in (a) and (b) as part of the labels in the diagram. *(Hint: your analysis must include the calculation of deadweight losses)*

(14 marks)

- (d) Based on your answer in (c), evaluate the impact of quantity regulation and corrective taxes on the market for water treatment. Your evaluation must comprise from both private and public perspectives.

(15 marks)

Question 2

Consider the procurement of Universiti Kuala Lumpur (UniKL) has successfully secured seven buses for some of its campuses. Each bus is worth RM1,145,000.00. The accountants of the university agreed that the lifespan of the bus is going to be 7 years and the corporate tax levied is 25% of the annual net income.

- (a) If UniKL implements a straight-line depreciation method, what is the net book value (NBV) for all seven buses in year 7 if the salvage value for each bus is going to be RM114,500.00.

(1 mark)

- (b) Calculate the NBV of the seven buses if the university implements a 30% reducing-balance depreciation method, assuming that there is no salvage value for the buses.

(13 marks)

- (c) Based on your answers in (a) and (b), by using the depreciation value for year 4, which of the methods above would result in a **lower** tax payment to the government? Analyse your answer by considering the income before depreciation for that year to be RM1,500,000.00.

(9 marks)

- (d) Based on your answer in (c), evaluate the intuition of these methods that benefit the domestic economy.

(12 marks)

END OF EXAMINATION PAPER