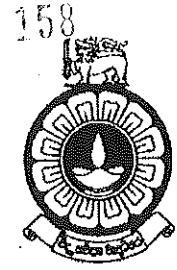


THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE IN SOCIAL SCIENCES - LEVEL 04
FINAL EXAMINATION – 2021/2022 (2nd Semester)
DSU4336 – PUBLIC FINANCE
DURATION: THREE HOURS (03 HOURS) ONLY



Date: 26th of February 2023

Time: 09.30 a.m. – 12.30 p.m.

Instructions:

- Answer any five (05) questions only.
- Each answer carries 20 marks.

1. Explain the role of public finance with suitable examples.
2. (a) Define “compensating variance”.
(b) Explain the difference between consumer surplus and producer surplus with appropriate diagrams.
3. Examine the importance of balancing fiscal policy instruments in the Sri Lankan economy taking into consideration the present economic crisis.
4. Examine the positive and negative externalities in production and consumption with examples.
5. Critically analyze the importance of the “Tax policy” to an economy, taking the present changes in the “income tax” as an example. Use appropriate diagrams.
6. What are the reasons for governments to provide subsidies? Explain, making reference to different types of subsidies?
7. Discuss the measures to be taken to reduce “rent seeking” and other government failure using suitable examples.

8. Evaluate the 'Keynesian view' of fiscal policy and describe how governments can ensure fiscal sustainability according to "Keynesian theory".
9. Write short notes on four (04) of the following.
- a) Indirect taxation
 - b) Public goods
 - c) Recurrent expenditure and capital expenditure
 - d) Maximizing social welfare
 - e) Iron triangle

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