

THE OPEN UNIVERSITY OF SRI LANKA
 DEPARTMENT OF SOCIAL STUDIES
 BA DEGREE IN SOCIAL SCIENCES – LEVEL 4
 FINAL EXAMINATION – SEMESTER II - 2017/18
 SSU2136/DSU4336 – PUBLIC FINANCE



DURATION: THREE HOURS (03 HOURS)

Date: 02nd June 2018

Time: 1.30 p.m. – 4.30 p.m.

Instructions:

➤ Answer five (05) questions only. Each question carries 20 marks.

1. (a) Define “Public Finance”.
 (b) Describe the role of public finance and the government involvement in it.
2. (a) Explain the concept “Fiscal Policy”.
 (b) Critically examine how to attain fiscal sustainability in an open economy.
3. (a) Describe the concepts “Consumer surplus” and “Producer Surplus” using graphs.
 (b) Explain why it is important to study the measures of social welfare including consumer surplus and producer surplus.
4. (a) Explain Edgeworth Box concept using an appropriate graph.
 (b) Explain the concept of Pareto efficiency in the Edgeworth Box.
5. (a) Define public goods and explain why only the government provides public goods.
 (b) Explain the difference between public and private goods. Give examples.
6. (a) Describe the concept of externalities with examples.
 (b) Analyze the consequences of negative externalities using a graph.
7. (a) Briefly explain the fundamental principles of taxation.
 (b) Explain the implications of the recent tax reforms which came into operation from 01st of April 2018.
8. Critically examine the fiscal policy trends and public finance situation in Sri Lanka in the last five years.
9. Write short notes on **four (04)** of the followings.
 - (a) Capital Expenditure
 - (b) Public Debt
 - (c) Compensating variation
 - (d) Producer subsidy
 - (e) Indirect taxation