

**THE OPEN UNIVERSITY OF SRI LANKA
DEPARTMENT OF SOCIAL STUDIES
BA DEGREE PROGRAMME IN SOCIAL SCIENCES – (2018/2019)
FINAL EXAM – LEVEL IV SEMESTER II
DSU4336/ SSU2136: PUBLIC FINANCE**



DURATION: THREE HOURS (03 HOURS)

Date: 21.07.2019

Time: 9.30 a.m – 12.30 p.m

Instructions:

➤ **Answer any five (05) questions.**

1. Define the term “Public Finance” and comment on the main sources of financing fiscal deficit with examples. (20 Marks)
2. “A fiscal deficit occurs when a government's total expenditures exceed the revenue that it generates.” Critically examine how a government fills this fiscal deficit. (20 Marks)
3.
 - a. Define the term “Compensating Variance”. (08 Marks)
 - b. Explain the difference between “Consumer Surplus” and “Producer Surplus” with appropriate diagrams. (12 Marks)
4. What is the meaning of “Pareto Efficient Resource Allocation”? Describe the conditions that are required for Pareto Efficiency resource allocation using an Edgeworth Box. (20 Marks)
5. Define the term ‘Public Goods’ and explain why the private sector does not produce public goods? (20 Marks)
6. Critically explain the effects of negative and positive externalities in production and consumption using appropriate graphs. (20 Marks)
7. Compare and contrast the direct taxes and indirect taxes on consumer welfare and explain the impact of taxes using a diagram. (20 Marks)

8. Comment on the government's role on providing consumer and producer subsidies. (20 Marks)

9. Write short notes on any four (04) of the following.

- a. Expansionary Fiscal Policy and Contractionary Fiscal Policy
- b. Fiscal Deficit
- c. Equivalent Variance
- d. Recurrent Expenditure and Capital Expenditure
- e. Public Debt

(5X4=20 Marks)

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