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Eastern University, Sri Lanka

EASTERN UNIVERSITY, SRI LANKA
FACULTY OF COMMERCE AND MANAGEMENT
PART – II FIRST SEMESTER EXAMINATION IN ECONOMICS –
2002/ 2003 & 2002/ 2003 (A) (JUNE/ JULY 2003)
ECN 3044 PUBLIC FINANCE

Answer All Five Questions

Time : 03 Hours

01. a. Briefly explain what do you understand by the term "Public Finance" and analyze its importance in developing countries.
- b. It has been identified externalities cause failure of markets. Do you agree? Analyse your answer with examples.
- c. Explain the "Pareto efficiency".
- d. Explain the relationship between the "free rider" and "the tragedy of the commons".
- e. Explain Adams Smith's Cannons of Taxation.
- f. Briefly explain the "Benefit principle of taxation".
- g. Explain the "equal absolute sacrifice" interpretation of ability to pay approach of taxation.
- h. State the factors which contribute to the tendency of increasing public expenditure.

(05 x 08 = 40 marks)

02. "Governments now intervene in economic affairs on an unprecedented scale and perform a number of different roles". Discuss with special reference to Sri Lanka.
(15 marks)
03. Explain the general equilibrium analysis of optimal provision of public good.
(15 marks)
04. Explain the term "Simple majority voting rule". In which ways the above rule fails the Arrow test?
(15 marks)
05. Define the term "Excess burden", and explain with the help of diagrams?
(15 marks)