

UNIVERSITY OF RUHUNA  
Master of Arts in Economics  
2<sup>nd</sup> Semester Examination – April 2017  
MAE 5201 – Public Sector Economics  
Four (04) questions only.

Select two (02) Questions from one Section

Time: 03 Hours

Section I

01. Assume that a per unit tax is placed on the supplier of a good. Explain the factors that determine how much of the tax is borne by the supplier and how much can be shifted to the consumer. Use graphs to illustrate your answer.

(15 Marks)

02.

I. Explain how income tax policy may affect the labour market participation decision. Use graphs to illustrate your answer.

(08 Marks)

II. What are the economic consequences of tax on savings and investment?

(07 Marks)

03. Provide descriptive notes for any three (03) of the followings.

I. Tax Evasion and Avoidance.

II. Fiscal Reforms under economic liberalization in Sri Lanka.

III. Describe features of tax system.

IV. The different ways of financing government spending in Sri Lanka and their recent trend.

V. Value Added Tax.

(5x3=15 Marks)

Section II

04.

I. Discuss the Cost Benefit Analysis (CBA) attempting to achieve net returns generally.

(05 Marks)

II. What are the ways (types of evaluations) to evaluate programmes and activities.

(05 Marks)

III. Did the Government apply the principles of Cost Benefit Analysis to evaluate the infra-structure development projects in Sri Lanka?  
(05 Marks)

05.

I. Is there relationship between Fiscal Policy and Government Budget? Explain.  
(05 Marks)

II. Evaluate the role of Theory of Public Expenditures in the Fiscal Policy.  
(05 Marks)

III. Discuss the Budgetary process in Sri Lanka based on the Medium-Term Budgetary Framework.  
(05 Marks)

06.

I. Explain the Macro-Economic Stability in Sri Lanka using following table.

Year	Per – Capita – Mid year		Total fiscal gap as a % of revenue	External debt (Government only) in US \$ Million	External Debt Services Ratio as a % of Exports	Balance of Payment Current Account Gap in US \$ Million
	GDP in US \$	Debt in US \$				
2000	869	940	55.1	9,031	24.0	1,066
2005	1,242	1,222	41.8	11,354	14.1	650
2010	2,744	1,242	53.5	21,438	41.5	1,075
2012	3,351	3,060	45.8	37,098	74.8	3,982
2014	3,853	3,613	49.1	42,914	83.7	1,987
2015	3,924	3,888	56.8	44,794	118.1	2,008
2016	3,950	4,537	67.8	57,121	148.1	1,500

Source – Central Bank Reports – Sri Lanka

II. Critically evaluate the infra-structure development project in Sri Lanka based on Cost Benefit Analysis.  
(05 Marks)

III. What are the main debt management strategies can be used to reduce the foreign debt burden in Sri Lanka.  
(05 Marks)

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