



University of Ruhuna

Master of Arts in Economics - Academic Year 2018/2019

2nd Semester End Examination – November 2021

MAE 5201 - Public Sector Economics



This paper contains two sections.

Answer only **Four (04)** questions selecting **two (02)** questions from each section.

Time: 03 Hours

Section 1

- (01). I. What is meant by excess burden of taxation? (07 marks)
- II. Explain the concept of excess burden of taxation considering a sale tax and lump-sum tax. (08 marks)
- (02). I. Examine the recent trend of public debt in Sri Lanka. (05 marks)
- II. Analyze the debt servicing issue in Sri Lanka. (04 marks)
- III. “Public debt is invariably a burden on the future generation.” Do you agree with this statement? Explain. (06 marks)
- (03) Provide descriptive notes on any **three (03)** of following.
- I. Tax shifting and tax incidence
- II. Fiscal reform in Sri Lanka
- III. Main features and problems of tax system in Sri Lanka.
- IV. Income tax rate and Laffer curve

(15 marks)

Section 2

- (04) I. Why is important to evaluate the government expenditure especially in developing countries including Sri Lanka? Explain. (05 marks)
- II. Evaluate the appropriateness of using the cost-benefit analysis to financially quantify the development projects. (05 marks)
- III. Critically evaluate the success of recent infrastructure projects in Sri Lanka in terms of cost and benefit analysis. (05 marks)
05. I. Explain the need to use government expenditure and taxes prudently in order to achieve the Macroeconomic objectives. (05 marks)
- II. Provide sufficient facts to confirm the introduction of the budget as a manifesto of the economic and fiscal policies of the government. (05 marks)
- III. Outline the recent experience to substantiate allegations on Sri Lanka's budget has deviated from the targeted policy package. (05 marks)
06. I. What are the direct measures that can be taken to reduce the foreign debt burden of Sri Lanka? (05 marks)
- II. What are the strategies that Sri Lanka can take to get out of the current dept trap? (05 marks)
- III. What are the consequences of the rising total dept of Sri Lanka on the macro economy? (05 marks)

@@@@@@@@