

International Islamic University Chittagong
Department of Economics & Banking
Mid-Term Examination
Program: BSS (Hons.) in E&B
Semester: Spring-2024

Time: 1.5 Hours
Full Marks: 30

Course Title: Public Finance
 Course Code: ECON-3502

[NB: Answer the following questions. All parts of a question must be answered serially.]

Q/N	Description of Question	Marks	CLOs & PLOs	Cognitive Learning
1(a)	How has the evolution of economic ideologies, from Adam Smith's laissez-faire approach to the emergence of the welfare state concept, influenced the scope and role of public finance? In this regard how would you describe the essence of public finance in today's economic context.	3	CLO-1 PLO-1	Understand
1(b)	What are the primary roles of public finance, and what obstacles does the public sector encounter in fulfilling these roles effectively?	7		Analyze
2(a)	Explain the concepts of 'Rivalry in consumption and Exclusion principle' of any good and classify the following goods according to these characteristics whether they public or private: i. Fresh air; ii. Education; iii. Pen; and iv. Watching cricket match from stadium gallery.	5	CLO-1 PLO-1	Analyze
2(b)	Efficient provision of public good can be derived by vertical summation of individual demand curves while for private goods, efficient provision can be derived by horizontal summation of individual demand curves. Explain this statement with example (s).	5		Analyze
3(a)	Zenith Chemical Industry is located on the bank of Karnaphuli River. With the inception of chemical production, fishes in the Karnaphuli River started dying due to the pollution made by the industry. If both industry owner and lake owner merged into one company, do you think an efficient level of pollution is possible without government intervention? Explain your arguments with necessary graphical illustrations.	5	CLO-2 PLO-1	Analyze
3(b)	How does the exertion of monopolistic power hinder the achievement of efficiency, illustrated graphically?	5		
3(a)	Explain how a system of perfectly competitive markets can achieve efficiency.	2.5	CLO-1 PLO-1	Evaluate
3(b)	Explain the concept Coase theorem? How is it significant to the understanding of social conflicts caused by externalities?	2.5		Analyze
3(c)	Use a supply-and-demand analysis to show how positive externality prevents a perfectly competitive market from achieving efficiency. Explain how govt. subsidies can be used to internalize externality.	5		