



Level 5 Diploma in Finance (530) 147 Credits



Unit: Public Finance	Guided Learning Hours: 220
Exam Paper No.: 1	Number of Credits: 22
Prerequisites: Knowledge of accounting and financial terminology.	Corequisites: A pass or higher in BA & Computer Systems or Diploma in Accounting & Finance or equivalence.
<p>Aim: The unit analyses the effects of exogenous taxes and public spending on economics behaviour. Beyond that, it considers the economic, political, and social forces that alter the choice of public institutions and policy choices within those structures. The efficiency, equity and stabilisation impacts of public expenditure and revenue programs; emphasis on problems and institutions at the national level. This unit focuses on the application of economic theory to the analysis of the issues pertaining to public expenditures and taxation. The unit discusses theories on public expenditures, such as theories on public goods and social cost benefit analysis. It also explores the principles and theories of taxation. The features of different kinds of taxes will be analysed. Taxation provides revenue for the public sector but also affects the incentives of private agents in many respects. To understand how taxation affects the economy a first task is to identify these incentive effects. This relates to private households' choice of labour supply, to their choice of commodity consumption (including whether to buy commodities in physical stores or online), to what extent activities to evade taxation are undertaken, and to the incentives to migrate.</p>	
Required Materials: Recommended Learning Resources.	Supplementary Materials: Lecture notes and tutor extra reading recommendations.
Special Requirements: The unit requires a combination of lectures, demonstrations and discussions.	
<p>Intended Learning Outcomes:</p> <p>1 The basic role of the government; real world imperfections, bureaucratic inefficiencies, vested interests and political pressures.</p> <p>2 The concept of environmental externalities, its implications for resource allocation and policy options for internalisation with a view to improve social welfare.</p> <p>3 Public goods and how the government should behave with respect to goods and services and how it actually behaves.</p>	<p>Assessment Criteria:</p> <p>1.1 Describe the function of government 1.2 Define how the government protects its citizens 1.3 Describe free market problems 1.4 Analyse taxation and social insurance 1.5 Compare and contrast public and private school system 1.6 Explain the governments main functions</p> <p>2.1 Describe externalities and the environment. 2.2 Describe the advantages and disadvantages of pollution tax 2.3 Analyse the advantages and disadvantages of tradable permit vs pollution tax 2.4 Outline views on best way to deal with polluters 2.5 Describe the concept of externalities and explain how externalities cause divergence between social costs (benefits) and private costs (benefits). 2.6 Analyse and review important theoretical contributions in the theory of negative externalities and policy options for dealing with them. 2.7 Outline global environmental externalities. 2.8 Identify and consider policy options for internalising environmental externalities</p> <p>3.1 Define the properties of a public good 3.2 Define the problems posed by a public good 3.3 Describe political economy 3.4 Examine the relationship between politics and economics in modern societies, focusing on problems of both domestic and international policy.</p>

	<p>3.5 Define political economy</p> <p>3.6 Describe the tension between rising consumer demand versus the need to minimize resource depletion and pollution.</p> <p>3.7 Outline the different priorities served by capitalist, socialist, and traditionalist varieties of political economy.</p> <p>3.8 Analyse the different priorities served by democratic and authoritarian political systems</p> <p>3.9 Explain how interdependence may undermine the efforts of national governments to cope with urgent national issues such as unemployment, inflation, health, and housing.</p> <p>3.10 Describe the importance of organizational structures for policy-making in both the public and private sectors.</p>
<p>4 Understand how cost-benefit analysis concepts, practices and environmental policies and developments can be helpful in arriving at better decisions in the public sector.</p>	<p>4.1 Define marginal social benefit and marginal social cost</p> <p>4.2 Analyse how private firms and individuals use cost-benefit analysis</p> <p>4.3 Define the principles of cost-benefit analysis</p> <p>4.4 Describe the social security system, minimal level of well-being and social support for all citizens and financial assistance</p> <p>4.5 Define the different ways of preparing for retirement</p> <p>4.6 Analyse whether social security influence retirement</p> <p>4.7 Analyse social security problems</p> <p>4.8 Outline the different types of social security benefit.</p>
<p>5 The role played by National Health Service; the principles, responsibilities, challenges, advantages and disadvantages.</p>	<p>5.1 Compare and contrast public and private health care</p> <p>5.2 Identify health systems in UK</p> <p>5.3 Analyse the importance of medical aid</p> <p>5.4 Outline how National Health Service provides fast access to authoritative health and social care evidence and best practice.</p>
<p>6 The different income taxes, Income Tax Bracket classification and filing of income tax returns online, deadlines and penalties.</p>	<p>6.1 Explain whether people or firms bear all tax burdens</p> <p>6.2 Analyse the inefficiency to the economy that results from particular taxes</p> <p>6.3 Identify the different taxes</p> <p>6.4 Evaluate and justify contribution to income tax</p> <p>6.5 Analyse issues arising from taxes</p> <p>6.6 Describe tax incidence and inefficiency</p>
<p>7 The different consumption taxes in the form of sales taxes, tariffs, excise and other taxes on consumed goods and services.</p>	<p>7.1 Describe the advantages and disadvantages of VAT</p> <p>7.2 Analyse the pros and cons of replacing income tax with a consumption tax</p> <p>7.3 Identify the differences between consumption tax and labour income tax</p> <p>7.4 Describe how consumption tax discourage the excessive consumption of unhealthy products like tobacco and alcohol</p> <p>7.5 Describe why consumption taxes are an increasingly appealing type of taxation for many governments</p>

<p>8 The state and local public finance; issues of financial management in state and local government, state and local tax policy.</p>	<p>8.1 Identify how the state government and local government spend and raise income 8.2 Analyse the advantages and disadvantages of council tax and city rates 8.3 Describe raising revenues, including the trade-offs associated with establishing a sustainable tax base 8.4 Describe raising capital by borrowing in the capital markets 8.5 Describe investing funds, in the context of both cash management and funding pension systems 8.6 Analyse state and local tax policy, in relation to transit finance, school finance, privatisation, economic development, debt management, 8.7 Describe the roles of rating agencies, investment bankers, and investors. 8.8 Outline issues of financial management in state and local government</p>
<p>9 The government focus on education as an area to maintain sustainable economic growth and how the private sector can come up with new structures to increase participation.</p>	<p>9.1 Outline the distinct services provided by the education sector 9.2 Analyse the role played by government in providing public education 9.3 Describe the advantages and disadvantages of financing public education entirely by taxes 9.4 Identify the benefits and costs of higher education</p>
<p>10 Government borrowing; measurement for the annual borrowing requirement of the government sector in the economy.</p>	<p>10.1 Identify the different methods government can borrow 10.2 Illustrate the difference between financing by borrowing and financing by taxation 10.3 Analyse explicit and excessive debts 10.4 Outline the economic risks associated with a high level of government borrowing 10.5 Describe the public-sector net cash requirements and the national debt</p>
<p>Methods of Evaluation: A 2½-hour written examination paper with five essay questions, each carrying 20 marks. Candidates are required to answer all questions. Candidates also undertake project/coursework in Public Finance with a weighting of 100%.</p>	

Recommended Learning Resources: Public Finance

<p>Text Books</p>	<ul style="list-style-type: none"> • Public Finance (Hardcover) by Harvey Rosen (Author), Ted Gayer. ISBN-10: 0073511285 • Public Finance and Public Policy (Hardcover) by Jonathon Gruber. ISBN-10: 0716799057 • Economics of the Public Sector (Hardcover) by JE Stiglitz. ISBN-10: 0393966518
<p>Study Manuals</p> 	<p>BCE produced study packs</p>
<p>CD ROM</p> 	<p>Power-point slides</p>
<p>Software</p> 	<p>None</p>