



**Diploma in Finance (530) – Public Finance**

<p><b>Prerequisites:</b> Knowledge of accounting and financial terminology.</p>	<p><b>Corequisites:</b> Completion of Diploma in BA &amp; Computer Systems or Diploma in Accounting &amp; Finance or equivalence.</p>
<p><b>Aim:</b> The course 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 course focuses on the application of economic theory to the analysis of the issues pertaining to public expenditures and taxation. The course 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. For firms taxation may affect localisation decisions, the choice of financial structure etc. These incentive effects lead to deadweight losses of taxation, and the design optimal structures of taxation should lead to minimisation of these deadweight losses. Identifying and implementing fully optimal tax structures are far from trivial, and often tax reforms are rather aimed at reducing the deadweight losses given the initial tax structure.</p>	
<p><b>Required Materials:</b> Recommended Learning Resources.</p>	<p><b>Supplementary Materials:</b> Lecture notes and tutor extra reading recommendations.</p>
<p><b>Special Requirements:</b> The course requires a combination of lectures, demonstrations and discussions.</p>	
<p><b>Intended Learning Outcomes:</b></p> <p>1 Understand the basic role of the government</p> <p>2 Discuss externalities and the environment</p> <p>3 Understand public goods and how the government should behave with respect to goods and services and how it actually behaves.</p> <p>4 Understand how cost-benefit analysis can be helpful in arriving at better decisions in the public sector.</p>	<p><b>Assessment Criteria:</b></p> <p>1.1 Define how the government protects its citizens</p> <p>1.2 Describe free market problems</p> <p>1.3 Analyse taxation and social insurance</p> <p>1.4 Compare and contrast public and private school system</p> <p>2.1 Describe the advantages and disadvantages of pollution tax</p> <p>2.2 Analyse the advantages and disadvantages of tradable permit vs pollution tax</p> <p>2.3 Discuss your views on best way to deal with polluters</p> <p>3.1 Define the properties of a public good</p> <p>3.2 Define the problems posed by a public good</p> <p>3.3 Describe political economy</p> <p>4.1 Be able to 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>




5	Understand social security	5.1	Define the different ways of preparing for retirement
		5.2	Discuss whether social security influence retirement
		5.3	Analyse social security problems
6	Understand the role played by National Health Service	6.1	Compare and contrast public and private health care
		6.2	Identify health systems in UK
		6.3	Analyse the importance of medical aid
7	Understand the different income taxes. Be able to describe tax incidence and inefficiency	7.1	Discuss whether people or firms bear all tax burdens
		7.2	Analyse the inefficiency to the economy that results from particular taxes
		7.3	Identify the different taxes
		7.4	Be able to justify contribution to income tax
		7.5	Analyse issues arising from taxes
8	Understand the different consumption taxes	8.1	Describe the advantages and disadvantages of VAT
		8.2	Analyse the pros and cons of replacing income tax with a consumption tax
		8.3	Identify the differences between consumption tax and labour income tax
		8.4	Describe how consumption tax discourage the excessive consumption of unhealthy products like tobacco and alcohol
9	Analyse the state and local public finance	9.1	Identify how the state government and local government spend and raise income
		9.2	Analyse the advantages and disadvantages of council tax and city rates
10	Understand the distinct services provided by the education sector	10.1	Analyse the role played by government in providing public education
		10.2	Discuss the advantages and disadvantages of financing public education entirely by taxes
		10.3	Identify the benefits and costs of higher education
11	Explore government borrowing	11.1	Identify the different methods government can borrow
		11.2	Illustrate the difference between financing by borrowing and financing by taxation
		11.3	Analyse explicit and excessive debts

### **Recommended Learning Resources: Public Finance**

Tel: 0044 7423211037

Email: [info@londoncomputercollege.co.uk](mailto:info@londoncomputercollege.co.uk) Website: [www.londoncomputercollege.co.uk](http://www.londoncomputercollege.co.uk)

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