

## PUBLIC FINANCE

Public Finance (PF) is one of the four modules comprising the CIPFA Advanced Diploma in International Public Financial Management (Adv Dip IPFM). PF aims to develop the candidate's knowledge of public expenditure and the sources of revenue available for public sector organisations.

PF links closely with the Governance, Public Policy and Ethics module of the Advanced Diploma by examining the financial constraints and opportunities that typically lie behind public policy making and decision making. It also links closely with the Public Sector Financial Reporting and Audit and Assurance modules of the Dip IPFM qualification, given the relevance to strong public financial management of consistently robust financial reporting and audit and assurance activities.

The module requires the candidate to demonstrate knowledge of the public expenditure and revenue implications of public policy decisions and an understanding of, and the ability to critically assess, a range of potential funding sources for public sector organisations. There is particular focus in the module on the role of government borrowing supporting state activity. Finally the module focuses extensively on the role of taxation, including a comparison of approaches to taxation across different countries. The importance of robust taxation systems for good financial public management and governance is a strong feature of that section of the PF syllabus.

## Syllabus topics

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| A | Public expenditure and revenues                      | 40% |
| B | Public borrowing, debt and management of the economy | 30% |
| C | Taxation   | 30% |

## Other information, including assessment

Prior knowledge: Financial Accounting

Standards: N/a

Validity: 2021 examinations

Assessment: A 150 minute exam with 75 marks available consisting of: 6 short form questions worth 5 marks each and 3 longer scenario questions worth 15 marks each. The pass mark is 50%.

| Overall Aim  | Learning outcome  | Content  |
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| <b>A Identify the main classes of public expenditure and public revenue, their differing characteristics and their interaction with public policy development (40%)</b>  | A1 Describe the nature of public expenditure and its characteristics  | (i) The categories and relevance of public expenditure<br>(ii) Influences on public expenditure<br>(iii) Demand and supply theories to explain the trends in public expenditure over time<br>(iv) The relationship between public expenditure, public services and the prevailing economic climate.  |
|  | A2 Discuss the sources of finance in the public services  | (i) Classes and characteristics of public revenue  |
|  | A3 Evaluate all forms of internal and external revenue and capital financing (both short and long term) of the public services, including consideration of comparative risk | (i) Taxation<br>(ii) Borrowing and leasing<br>(iii) Fees and charges<br>(iv) Grants and subsidies, including international sources<br>(v) Private sector sources of finance<br>(vi) Asset finance – securitisation and leasing   |
| <b>B Explain the origins and implications of public borrowing and debt, their significance in the management of the economy, and their influences on the operation and regulation of the financial markets (30%)</b> | B1 Explain the origins and implications of public borrowing and debt  | (i) Origins, structure, benefits, consequences and burden of public borrowing and public debt<br>(ii) Alternative approaches to the management of public borrowing and public debt<br>(iii) Debt and borrowing arrangements in national and sub-national public sector organisations.<br>(iv) Role of the Finance Ministry/Treasury in the management and control of public sector borrowing and debt. |

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|   | <p>B2 Discuss the nature and impact of public borrowing and debt on the financial markets</p>    | <ul style="list-style-type: none"> <li>(i) Public sector financial instruments</li> <li>(ii) Private sector financial instruments</li> <li>(iii) Behaviour of interest and exchange rates</li> <li>(iv) Role of financial institutions in acquiring and trading in public debt.</li> </ul>   |
| <p><b>C Discuss taxation theory, identify the main taxation systems and evaluate their impact on public sector financing and responsibilities (30%)</b></p> | <p>C1 Discuss tax theory and the nature of tax systems in different jurisdictions, including</p> | <ul style="list-style-type: none"> <li>(i) The functions of taxation</li> <li>(ii) Direct and indirect taxes</li> <li>(iii) Tax bases</li> <li>(iv) Tax structures - progressive, regressive and proportional taxes</li> <li>(v) Hypothecation or earmarking</li> <li>(vi) Tax avoidance versus tax evasion</li> <li>(vii) Implications for public sector organisation funding</li> <li>(viii) Comparisons of key systems of taxation in different countries.</li> </ul> |