

## SECOND SEMESTER M.A DEGREE EXAMINATION, APRIL 2021

(Improvement/Supplementary)

## ECONOMICS

## FECO2C07: PUBLIC FINANCE: THEORY AND PRACTICE

Time: 3 Hours

Maximum Weightage: 30

Part A: Answer *all* questions. Each carries  $\frac{1}{5}$  weightage

1. The use of budgetary policy as a means of maintaining high employment with price stability is known as the ----- function.  
a) Distribution                      b) Allocation                      c) Stabilization                      d) Growth
2. Non- rival in consumption is an important feature of ----- goods.  
a) Public                      b) Private                      c) Both Public and Private goods                      d) None of the above
3. The concept of “Merit goods “was developed by:  
a) A C Pigou                      b) Buchanan                      c) Dalton                      d) R A Musgrave
4. The movement of people from one local government area to another is explained by the:  
a) Coase Theorem                      b) Tiebout Hypothesis                      c) Pigouvian Tax                      d) Wagner’s Law
5. Environmental pollution is an example of:  
a) Positive externality                      b) Pecuniary externality                      c) Negative externality                      d) Merit good
6. “The Economics of Welfare “(1920) was written by:  
a) A C Pigou                      b) Tiebout                      c) Wagner                      d) Dalton
7. The Father of Zero-Based Budgeting is:  
a) Buchanan                      b) Peter A Pyhrr                      c) Dalton                      d) Musgrave
8. The FRBM Act came into force in the year:  
a) 1991                      b) 2002                      c) 2004                      d) 2011
9. People with equal capacity to pay the same tax is known as:  
a) Horizontal equity                      b) Vertical equity                      c) Elasticity                      d) Buoyancy
10. Which Theory deals with the growth of public expenditure?  
a) Tiebout hypothesis                      b) Musgrave’s theory  
c) Peacock-Wiseman hypothesis                      d) Pigou’s Theory
11. Which among the following is development expenditure?  
a) Irrigation expenditure                      b) Civil administration                      c) Grants in aid                      d) Debt services
12. Entertainment Tax is levied by:  
a) Central Government                      b) State Governments                      c) Local bodies                      d) None of the above

(PTO)

13. Redemption of public debt means:
- |                             |                                |
|-----------------------------|--------------------------------|
| a) Reducing the debt        | b) Refusal to pay the interest |
| c) Repayment of public debt | d) Refusal to repay the debt   |
14. The final resting place of the burden of a tax is:
- |           |              |               |             |
|-----------|--------------|---------------|-------------|
| a) Impact | b) Incidence | c) Elasticity | d) Buoyancy |
|-----------|--------------|---------------|-------------|
15. The Principle of Maximum Social Advantage was popularized by:
- |                    |           |           |             |
|--------------------|-----------|-----------|-------------|
| a) Peacock-Wiseman | b) Dalton | c) Wagner | d) Musgrave |
|--------------------|-----------|-----------|-------------|

(15 × 1/5 = 3 Weightage)

**Part B: Answer any five questions. Each carries 1 weightage**

16. What is a club good?
17. Comment on Fiscal deficit.
18. What is subsidy?
19. What is negative externality?
20. What do you mean by horizontal imbalance?
21. What is VAT?
22. Give an account on Pigouvian Tax
23. What is Fiscal federalism?

(5 × 1 = 5 Weightage)

**Part C: Answer any seven questions. Each carries 2 weightage**

24. Explain about the “Allocation function “of the Government.
25. Distinguish between Public goods and Private goods.
26. Explain “Tiebout Hypothesis “.
27. Write a note on “Balanced Budget Multiplier”.
28. Explain the Public Choice Theory.
29. Briefly discuss about the important features of the latest Union Budget in India.
30. Explain Peacock-Wiseman Hypothesis.
31. Examine the major sources revenue of the Local bodies.
32. Explain the Median Voter Theorem.
33. Write a note on Domar Stability condition.

(7 × 2 = 14 Weightage)

**Part D: Answer any two questions. Each carries 4 weightage**

34. Critically evaluate the introduction of GST in the context of Vertical and Horizontal imbalances in India.
35. Explain the important features of Indian Tax system. Point out the principal taxes in India.
36. What is Incidence of Tax? How Musgrave’s Theory of incidence is different from the traditional approach?
37. Examine the problems in the Centre-State financial relations in India.

(2 × 4 = 8 Weightage)