

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2021

ECONOMICS

FECO2C07- PUBLIC FINANCE: THEORY AND PRACTICE

Time: 3 Hours

Maximum Weightage: 30

Part A: Multiple Choice Questions. All questions can be answered. Each carries $\frac{1}{5}$ weightage.

1. The economic incidence of an advalorem tax is:
a) Generally borne by the buyers
b) Generally borne by the sellers
c) Generally borne by both buyers and sellers
d) None of the above
2. An increase in tax rate, when the tax base increases represent:
a) Regressive taxation
b) Proportional taxation
c) Progressive taxation
d) None of the above
3. A 'pure public goods' satisfies the following conditions.
a) The good is excludable and non-rival in nature
b) The good is rival in nature
c) The good is excludable and rival in nature
d) The good is non-excludable and non-rival in nature
4. Which of the following is the major source of revenue in India?
a) Direct tax
b) Capital Levy
c) Grants in aid
d) Indirect tax
5. Incidence of a tax refers to the burden of tax.
a) Initial
b) Ultimate
c) Intermediate
d) None of these
6. The Finance Commission of India is appointed by:
a) President
b) Prime Minister
c) Chief Minister
d) Finance Minister
7. Deficit financing most likely leads to:
a) Poverty
b) Unemployment
c) Inflation
d) Deflation
8. Which of the following is a measure of fiscal policy?
a) Tax
b) Reserve ratio
c) SLR
d) Bank rate
9. Fiscal Federalism refers to:
a) Sharing of political power between centre and states
b) Organising and implementing economic plans
c) Division of economic functions and resources among different layers of Govt.
d) None of these

(PTO)

10. Primary deficit means:
 - a) Fiscal deficit - Interest
 - b) Revenue deficit - Interest payments
 - c) Fiscal deficit + Revenue deficit
 - d) Budgetary deficit
11. Sharing the tax revenue between union and states aim to correct the following imbalances.
 - a) Horizontal imbalances
 - b) Vertical imbalances
 - c) Criss-cross imbalances
 - d) None of these
12. Which of the following article in Indian constitution provides provision of grant in aid?
 - a) Article 280
 - b) Article 275.
 - c) Article 300 (A)
 - d) None of these
13. The study of behavior of individual decision-making units is:
 - a) Partial equilibrium analysis
 - b) General equilibrium analysis
 - c) Both Partial and general equilibrium analysis.
 - d) None of these.
14. Free raider problems arises in:
 - a) Private goods
 - b) Public goods
 - c) Merit goods
 - d) None of these.
15. The ways and means advances (WMA) from a central bank means:
 - a) Productive debt
 - b) A short term debt
 - c) Unproductive debt
 - d) External debt

(15 x $\frac{1}{5}$ = 3 weightage)

Part B: Very short answer questions. All questions can be answered. Each carries *one* weightage. (Ceiling 4 weightage)

16. Define merit goods.
17. What is Pigouvian tax?
18. What is FRBM Act?
19. Distinguish between VAT and GST.
20. What is externality?
21. Distinguish between private goods and pure public goods.
22. Distinguish between fiscal and monetary policies.
23. Define zero base budget.

Part C: Short answer questions. All questions can be answered. Each carries *three* weightage. (Ceiling 15 weightage)

24. Explain balanced budget multiplier.
25. Explain vertical and horizontal imbalance in inter-governmental transfers in India.
26. Explain the median voter theorem.
27. Discuss the debt burden in India.

28. List out the main centrally sponsored schemes. What are the federal issues involved in it?
29. Explain Tiebout hypothesis.
30. Explain the theory of optimal taxation.
31. What are the macroeconomic impacts of deficit?
32. Explain pure theory of public expenditure.
33. Explain the Domar stability condition.

Part D: Essay questions. All questions can be answered. Each carries *four* weightage. (Ceiling 8 weightage).

34. Explain the partial equilibrium theories of incidence of taxation. How do different elasticities of demand and supply affect the incidence in per unit tax case?
35. Discuss the various problems of center-state financial relations in India. Suggests remedial measures to solve these problems.
36. Explain the roles of Finance Commission. Critically evaluate the recommendations of 14th Finance commission.
37. Discuss the effectiveness of fiscal policy for economic stabilization during different economic situations.