

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2022
(Regular/Improvement/Supplementary)

ECONOMICS
FECO2C07- PUBLIC FINANCE: THEORY AND PRACTICE

Time: 3 Hours

Maximum Weightage: 30

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

1. The economic incidence of a tax is specific unit tax
 - 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. A constant tax rate, when the tax base increases represent
 - a) Regressive taxation
 - b) Proportional taxation
 - c) Progressive taxation
 - d) None of the above
3. The chairperson of 15th Finance Commission
 - a) C. Rangarajan.
 - b) Y.V. Reddy
 - c) RaguramRajan.
 - d) Nand Kishor Singh
4. The diffusion theory explains:
 - a) Shifting of tax
 - b) Incidence of tax
 - c) Impact of tax
 - d) None of these
5. A private good 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
6. Free raider problem arises in:
 - a) Private goods
 - b) Public goods
 - c) Club goods
 - d) None of these
7. The burden of direct taxes is borne by:
 - a) Rich person
 - b) Poor person
 - c) On whom it is levied
 - d) None of these
8. Advalorem duties are levied on:
 - a) Length
 - b) Weight
 - c) Utilities
 - d) Value
9. A decentralized fiscal system involving sharing of fiscal responsibilities among union, states and local governments is called:
 - a) Fiscal Federalism
 - b) Fiscal Union
 - c) Fiscal equalization
 - d) None of these
10. Among the following, which tax can be shifted:
 - a) Direct tax
 - b) Progressive tax
 - c) Indirect tax
 - d) None of these
11. The final resting place of the burden of tax is called
 - a) Tax avoidance
 - b) Tax evasion
 - c) Impact
 - d) Incidence

(P.T.O.)

12. The horizontal fiscal imbalance arises in a fiscal federalism is called:
 - a) Problem of effectiveness
 - b) Problem of equalization
 - c) Problem of efficiency
 - d) None of these
13. Which of the following article in Indian constitution provides provision of set up of finance commission?
 - a) Article 275
 - b) Article 280
 - c) Article 300 (A)
 - d) Article 300
14. Which of the following contribute to rise in public debt in India?
 - a) Spending on welfare schemes
 - b) Urge for economic growth
 - c) Inefficient public sector
 - d) All of these
15. Tax and non-tax revenues which exceed government expenditure in a given year is called:
 - a) Budget deficit
 - b) Budget Surplus.
 - c) Balanced budget.
 - d) Public saving.

(15 × 1/5 = 3 weightage)

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

16. What is the difference between club goods and merit goods?
17. Define Tiebout hypothesis.
18. What is inter-generational equity aspect in public debt?
19. How are public utility services priced?
20. What are the merits of GST?
21. Define zero base budget.
22. Explain briefly median voter theorem.
23. Write a short note on Pigouvian tax.

(5 × 1 = 5 weightage)

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

24. Explain Externality. How does it lead to market failure?
25. “Most conventional pure public goods become now impure public goods.” Justify the statement with examples.
26. Explain FRBM Act? What is your opinion on its role during Covid pandemic period? Justify your answer.
27. Explain the concentration theory of incidence of taxation.
28. What are the causes of increasing public debt in India?
29. Explain the theory of fiscal federalism.
30. Can a country become bankrupt through public debt?
31. Explain public choice theory.

32. Explain ability to pay approach to theory of taxation.
33. Discuss the chains of adjustment process from both demand and supply side in incidence in general equilibrium.

(7 × 2 = 14 weightage)

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

34. Explain the demand and supply theory of the incidence of taxation? Discuss the role of elasticities of demand and supply in the incidence of taxation.
35. Critically examine the center-state relations during the reform period in India. Suggest a few measures to improve their relations.
36. Discuss the role and limitations of fiscal stabilization during the period of demand contraction.
37. Critically examine the provision of aggregate demand stimulus in the recent union budget in the context of Covid pandemic.

(2 × 4= 8 weightage)