SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2024
(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 $^1/_5$ weightage.

1.   A good that is non-excludable and non-rivalrous is referred to as:

     a) Private good   b) Public good   c) Merit good   d) Club good

2.   An indirect benefit received by one party as a result of actions taken by another is:

     a) Externality   b) Positive externality
     c) Negative externality   d) None of these

3.   Examine the following statements regarding the incidence of tax and select the correct option.
     Statement A: The impact point is the place of statutory incidence.
     Statement B: The final resting point is the place of economic incidence.

     a) Only statement A is correct   b) only statement B is correct
     c) Both the statements are correct   d) None of the statement is correct

4.   The principle of taxation suited most to ensure equity is:

     a) Benefit principle   b) Ability to pay principle
     c) Cost of service principle   d) None of these

5.   The highest source of revenue to the union government in India as per the union budget 2023-24 is:
     a) Borrowing and other liabilities   b) Corporation tax
     c) GST   d) Income tax

6.   Which of the following statements is incorrect?

     a) GST replaced multiple indirect taxes levied by the Central and State Governments.
     b) GST operates under a dual structure, comprising the Central GST (CGST) and the State GST (SGST).

c) GST is a destination-based tax.

d) GST doesn't allow for the utilization of input tax credit.

7. A strategic budgeting approach that mandates a fresh evaluation of all expenses during each budgeting cycle is referred to as:

a) Programmed Budgeting b) Zero-Based Budgeting

c) Performance Budgeting d) Balanced Budgeting

8. Consider the statements and select the correct option from below.

Statement A: Public choice theory analyzes collective decisions by aggregating the choices made by individuals.

Statement B: The theory applies economic concepts and tools, including market analysis, to studying political systems.

a) Only statement A is correct b) Both the statements are correct

c) Both statements are wrong d) Only statement B is correct

9. The FRBM Act stipulated to take appropriate measures to limit the fiscal deficit up to:

a) Two percent of gross domestic product.

b) Three per cent of gross domestic product.

c) Four per cent of gross domestic product.

d) Five per cent of gross domestic product.

10. Chairman of the Fifteenth Finance Commission is ………….

a) Y. V. Reddy b) Aravind Panagariya c) N.K. Sing d) Vijay kelkar

11. Which of the following monetary measures consists of a buy-back agreement?

a) Re discounting rate b) CRR c) SLR d) Repo

12. How does the Tiebout hypothesis contribute to the understanding of public finance?

a) It emphasizes the importance of centralizing government control.

b) It highlights the role of competition and choice in local governance.

c) It advocates for uniform provision of public goods across jurisdictions.

d) None of these.

13. Which of the following statements best describes partial equilibrium analysis?

a) It examines the overall effects of economic policies on all markets.

b) It focuses on the changes in equilibrium caused by shifts in only one market.

c) It studies the interactions among various sectors of the economy.

d) It analyzes the long-term growth trajectory of the economy.

14. What does the theory of optimal taxation aim to achieve?

a) Minimize government revenue.

b) Maximize government spending.

c) Maximize social welfare subject to various constraints.

d) Minimize tax rates for all income groups.

15. The impact of a tax refers to:

a) Final money burden   b) Immediate money burden

c) Indirect real burden   d) None of these

(15 × $^1/_5$ = 3 weightage)

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

16. Explain the club good.

17. Discuss Tiebout hypothesis.

18. Compare impact and incidence.

19. Differentiate between bank rate and repo rate.

20. Explain the median voter theorem.

21. What is direct benefit transfer and what are its advantages?

22. Explain the Domar stability condition.

23. What is horizontal balance? Discuss different measures taken in India to ensure horizontal balance.

(5 × 1 = 5 weightage)

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

24. How does the Pigouvian tax address negative externalities in economic activities?

25. Explain the role of partial equilibrium in public finance.

26. Define fiscal policy. How do fiscal policies correct the instability in the economy?

27. Explain the workings of the balanced budget multiplier.

28. Discuss different arrangements in India to smoothen the Central-State financial relations.

29. Describe the recent changes in the source of union revenue in India.

30. Elucidate the recent trends in the public debt of India.

31. Enumerate various recommendations of the Fourteenth Finance Commission of India.

32. Discuss the efficiency issue in the pricing of public goods.

33. How do economists assess the efficiency and fairness of various tax structures in striving for optimality?

(7 × 2 = 14 weightage)

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

34. Discuss the role of government in the finance management of an economy.

35. Explain the issue of intergenerational equity of debt burden.

36. Describe the different approaches in the public choice theory.

37. Explain the trend of public expenditure in India. Why does public expenditure increase in India?

(2 × 4 = 8 weightage)