D2AEC2403 (3 Pages) Name............................
Reg.No..........................

SECOND SEMESTER M.A. DEGREE EXAMINATION, APRIL 2025
(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. Which schedule of the constitution specifies the allocation of powers and functions between the Union & States?
   a) 4th schedule b) 5th schedule c) 6th schedule d) 7th schedule
2. The FRBM Act was passed in the year:
   a) 1991 b) 2001 c) 2003 d) 2011
3. Who proposed the Zero-based budgeting for the first time?
   a) David Ricardo b) Alfred Marshall c) Adam Smith d) Peter Phyrr
4. Monetization of deficit refers to:
   a) RBI sells government bonds in the market b) Printing more currency
   c) Reduction in fiscal deficit d) Repayment of public debt
5. The fiscal deficit excluding the interest liabilities for a year is called as:
   a) Revenue deficit b) Capital deficit c) Budget deficit d) Primary deficit
6. Optimum taxation means:
   a) equal level of tax b) equal ratio of tax
   c) minimum resources cost d) equal burden of tax
7. Pigovian tax is a tax imposed on:
   a) export and import of goods b) interstate trade
   c) activities that generate negative externalities d) activities that generate positive externalities
8. Which of the following criteria got the highest weightage in the recommendation of 15th Finance Commission for horizontal devolution?
   a) Population b) Area c) Income Distance d) Forest and ecology
9. Who is the chairman of the GST Council?
   a) Narendra Modi b) Nirmala Sitharaman
   c) Suman Bery d) Saktikanta Das
10. Unconditional grants are ....
    a) String attached grants b) No string attached grants
    c) Special purpose grants d) All of the above

(P.T.O.)

11. Repo rate is ……….

    a) the rate at which RBI lends to state government.

    b) the rate at which international agencies lends to RBI.

    c) the rate at which RBI lends to commercial banks in the country.

    d) the rate at which RBI borrows funds from commercial banks in the country.

12. 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.

13. The share of states in the central taxes for the 2021-26 period is recommended to be ………..

    a) 39% b) 40% c) 41% d) 42%

14. The concept 'vote with their feet' is associated with:

    a) A.C. Pigou b) Antony Downs c) K. J. Arrow d) Charles Tiebout

15. A criterion by which public goods are distinguished from private goods:

    a) Exclusion principle b) Externality principle

    c) Public choice principle d) None of the above

(15 × $^1/_5$= 3 weightage)

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

16. What are Centrally Sponsored Schemes?
17. Differentiate between pure and impure public goods.
18. Write a note on fiscal decentralization.
19. What are club goods? Explain the concept with suitable examples.
20. Write a short note on the working of a Balanced Budget Multiplier.
21. What is primary deficit?
22. Differentiate between vertical equity and horizontal equity.
23. What are the major sources of revenue for the state and local bodies in India?

(5 × 1 = 5 weightage)

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

24. Discuss the principle of zero- based budgeting.
25. Explain the role of intergovernmental transfers in India.
26. What is shifting of tax? Explain how elasticity of demand affects the incidence of tax shifting.
27. Comment on the controversy related to the burden of public debt.
28. Explain the theory of public choice.

29. Analyse recent budget of government of India.

30. Explain briefly the ability to pay theory of taxation.

31. Discuss the major challenges in the implementation of GST in a federal set up in India.

32. Describe the theory of fiscal federalism.

33. How externalities create market failure? How government solves it?

(7 × 2 = 14 weightage)

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

34. Explain the pricing policy of public sector undertakings in India.

35. Describe the theory of optimal taxation.

36. Discuss the major recommendations of 15th Finance Commission.

37. Analyse the impact of economic reforms on Centre-State relations in India.

(2 × 4 = 8 weightage)