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Name.....

Reg. No.....

**SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY)
EXAMINATION, APRIL 2023**

(CBCSS)

Economics

ECO 2C 07—PUBLIC FINANCE : THEORY AND PRACTICE

(2019 Admission onwards)

Time : Three Hours

Maximum : 30 Weightage

Part A*Answer all questions.**Each bunch of five questions carries 1/5 weightage.*

1. Which is not included in the revenue receipts of the government :
 - A) Fines.
 - B) Fees.
 - C) Small savings.
 - D) Special assessments.
2. The value of balanced budget multiplier is :
 - A) Zero.
 - B) One.
 - C) Less than one.
 - D) Greater than one.
3. Peacock and Wiseman hypothesis on public expenditure consists of three concepts which are :
 - A) Subscription effect, tax effect, expenditure effect.
 - B) Tax effect, expenditure effect, consumption effect.
 - C) Displacement effect, concentration effect, inspection effect.
 - D) Consumption effect, labour effect, income effect.
4. VAT belongs to the family of :
 - A) Sales tax.
 - B) Income tax.
 - C) Corporate tax.
 - D) Pay roll tax.

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5. Who called public good as social wants :
A) Marshall.
B) Pigou.
C) Musgrave.
D) Veblen.
6. Fiscal deficit minus Interest payments is equal to :
A) Fiscal deficit.
B) Primary deficit.
C) Monetised deficit.
D) Revenue deficit.
7. Which is the earliest theory of tax :
A) Expediency theory.
B) Socio cost theory.
C) Benefit principal theory.
D) Physiocratic theory.
8. According to Wiseman- Peacock hypothesis, the inadequacy of the revenue as compared to required public expenditure creates an —————.
A) Inspection effect.
B) Displacement effect.
C) Concentration effect.
D) None of the above.
9. Grants from the Center to the States under the recommendations of Finance Commission known as :
A) Plan grants.
B) Statutory grants.
C) Development assistance.
D) Discretionary grants.
10. The Benefit Theory of allocation of tax burden is given by :
A) Seligman.
B) Lindhal.
C) Dalton.
D) Pigou.
11. The distribution of the burden of paying a tax is called :
A) Sharing of tax burden.
B) Shifting of the tax.
C) Incidence of a tax.
D) Tax capitalization.
12. The RBI ————— government securities to control the flow of credit.
A) Buys.
B) Sells.
C) Undertake.
D) None of the above.

13. Which equity states that the payment of taxes should be dependent on the level of income earned?
- A) Horizontal
 - B) Vertical.
 - C) Both A) and B)
 - D) None of the above.
14. Tax revenue sharing between the federal and sub-national governments is aimed at correcting which of the following type of imbalance?
- A) Horizontal imbalance.
 - B) Vertical imbalance.
 - C) Diagonal imbalance.
 - D) Criss-cross imbalance.
15. According to the maximum social advantage principle, economic welfare is achieved when benefits from marginal utility of expenditure is _____ marginal disutility due to imposition of taxation.
- A) Equal to.
 - B) Greater than.
 - C) Less than.
 - D) Twice the.

(15 × 1/5 = 3 weightage)

Part B (Very Short Answer Questions)

Answer any **five** questions.

Each question carries 1 weightage.

- 16. What is public good?
- 17. What is externality?
- 18. Briefly explain incidents of tax.
- 19. State regressive tax.
- 20. Examine partial equilibrium analysis of tax.
- 21. What do you mean by 'vote by feet'?
- 22. Explain the functions of Finance Commission.
- 23. Define fiscal federalism.

(5 × 1 = 5 weightage)

Turn over

Part C (Short Answer Questions)

*Answer any seven questions.
Each question carries weightage of 2.*

24. Write a short note on FRBM Act.
25. Examine the concept of debt burden.
26. Critically evaluate the theory of inter-governmental transfer.
27. Explain fiscal decentralization.
28. Analyse intergenerational equity in debt.
29. What do you mean by sustainability of public debt.?
30. Discuss median voter theorem.
31. Distinguish between GST on VAT.
32. Analyse the theory of optimal taxation.
33. Compare fiscal and monetary policy.

Part D (Essay Questions)

*Answer any two questions.
Each question carries 4 weightage.*

34. Analyse the trends in public expenditure in India.
35. Discuss the vertical and horizontal imbalance and how far the finance commission address the issue?
36. Demonstrate the pure theory of public expenditure.
37. Explain the macro-economic impacts of deficit.

(7 × 2 = 14 w)

(2 × 4 = 8 w)