

**SIXTH SEMESTER (CUCBCSS—UG) DEGREE EXAMINATION  
MARCH 2021**

**Economics**

**ECO 6B 13—PUBLIC FINANCE**

Time : Three Hours

Maximum : 80 Marks

**Section A (Objective Type Questions)**

*Answer all questions.*

*Each question carries 1 mark.*

1. Zero base budgeting was adopted in India in :
  - a) 1957-58.
  - b) 1967-68.
  - c) 1977-78.
  - d) 1987-88.
2. The total amount of current year borrowings and other liabilities is exactly equal to :
  - a) Total outstanding debt.
  - b) Total amount of external debt.
  - c) Fiscal deficit.
  - d) Revenue deficit.
3. The constitutional body to design the rate of GST for different commodities is :
  - a) The Ministry of Finance.
  - b) GST Council.
  - c) Prime Minister's Economic Advisory Council.
  - d) NITI Aayog.
4. Which of the following is a non-debt capital receipt ?
  - a) Receipts of profits of PSUs.
  - b) Non-tax receipts.
  - c) Disinvestment receipts.
  - d) Securities Transaction Tax (STT).
5. High rate of GST may lead to a/an :
  - a) Incentive to consumers.
  - b) Incentive to producers.
  - c) Incentive to investors and producers.
  - d) Disincentive to investors.

**Turn over**

6. Increased fiscal deficit may NOT lead to :
- a) Increase in domestic interest rate.
  - b) Fall in domestic private investment.
  - c) Increased public investment.
  - d) Rise in total borrowing.
7. Principle of income tax is based on :
- a) Natural Justice.
  - b) Benefit.
  - c) Propriety.
  - d) Ability to pay.
8. Non-rivalry and non-excludability is the feature of :
- a) Private goods.
  - b) Merit goods.
  - c) Public goods.
  - d) Both public goods and merit goods.
9. Indirect taxes are generally :
- a) Progressive.
  - b) Regressive.
  - c) Proportionate.
  - d) Constant.
10. Receipts from disinvestment of PSU's :
- a) Revenue receipts.
  - b) Capital receipts.
  - c) Public debt.
  - d) Non-tax receipts.
11. Which of the following is not a fiscal measure ?
- a) Interest rate.
  - b) Public expenditure.
  - c) Tax subsidies.
  - d) Investment subsidies.
12. Who suggested that an expenditure tax in India as an alternative to income tax ?
- a) Musgrave.
  - b) Galbraith.
  - c) Dalton.
  - d) Katdor.

(12 × 1 = 12 marks)

### Section B (Very Short Answer Type Questions)

*Answer at least six questions.  
Each question carries 3 marks.  
All questions can be attended.  
Overall Ceiling 18.*

Define Corporation tax.

Write a note on Fiscal federalism.

15. What do you mean by canon of elasticity ?
16. Briefly explain VAT.
17. What is capital expenditure ?
18. What do you mean by fiscal policy ?
19. What is Zero base budgeting ?
20. What is Cost-Benefit Analysis (CBA) ?
21. Write the difference between Public Finance and Private Finance.
22. What do you mean by Black money ?
23. What is the importance of local finance ?
24. What are the instruments of Fiscal Policy ?

(6 × 3 = 18 marks)

**Section C (Short Essay Type Questions)**

*Answer at least four questions.*

*Each question carries 6 marks.*

*All questions can be attended.*

*Overall Ceiling 24.*

5. Why should we increase capital expenditure ?
6. Explain the ability to pay principle of taxation.
7. What are the problems of growing fiscal deficit in India ?
8. State your arguments for and against progressive taxation.
9. Explain the methods for reducing public debt.
10. Explain the components of non-tax revenue.
11. Analyze the causes and consequences of black money.
12. Briefly explain the major trends in public expenditure in India.

(4 × 6 = 24 marks)

**Turn over**

**Section D (Essay Type Questions)**

*Answer any two questions.*

*Each question carries 13 marks.*

33. Explain briefly the merits and demerits of GST system in India.
34. Explain the need for strengthening fiscal federalism in India.
35. Explain Wagner and Peacock-Wiseman hypothesis on Public Expenditure with the help of diagram.
36. Describe the scope and changing dimensions of public economics.

(2 × 13 = 26)