

MA ECONOMICS
First Semester
PUBLIC FINANCE
(MEC - 02)

Duration: 3Hrs.

Full Marks: 70

Part-A (Objective) =20
Part-B (Descriptive)=50

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

1. Answer *any five* of the following

2×5=10

- a) Distinguish between public finance and private finance.
- b) Define Public goods.
- c) Define Private goods.
- d) Define Mixed goods.
- e) Explain the term Excess Burden.
- f) Define the term Fiscal Neutrality.
- g) What are the different types of public debt?

2. Answer *any five* of the following

3×5=15

- a) What does taxable capacity mean? Mention the types of taxable capacity.
- b) Briefly explain the different types of incidence.
- c) Distinguish clearly between internal public debt and external public debt.
- d) Write a note on the burden a country has to bear in case of internal public debt.
- e) Write a note on Public debt.
- f) State the different reasons for the growth of Public Expenditure.
- g) Define Social good with suitable examples.

3. Answer any five of the following

5×5=25

- a) Distinguish between impact and incidence of taxation.
- b) Discuss briefly the term fiscal neutrality and excess burden.
- c) Explain in detail any one popular theory of tax shifting.
- d) Discuss how shifting of incidence occur under monopoly market conditions.
- e) Discuss Wagner's law of Public expenditure.
- f) Discuss Peacock-Wiseman hypothesis of public expenditure.
- g) Discuss the different methods of public debt management.

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(The figures in the margin indicate full marks for the questions)

Duration: 20 minutes

Marks – 20

PART A- Objective Type

I. Choose the correct Option from the following:

1×10=10

1. Which one of the following is a fiscal policy?
 - a. Taxation.
 - b. Devaluation of Rupee.
 - c. Interest rate.
 - d. All of the above
2. Give an example of merit good.
 - a. School.
 - b. College
 - c. university
 - d. All of the above.
3. Which one of the following is private goods.
 - a. A car owned by a person.
 - b. A School.
 - c. Railways.
 - d. None of the above
4. Which one of the following is a public goods.
 - a. Railways.
 - b. Electricity.
 - c. Defence
 - d. All of the above.
5. Who is the founder of Benefit principle theory of Taxation?
 - a. Erik Lindahl
 - b. Adamsmith
 - c. None of the above.
 - d. All of the above.

6. Who is the founder of Ability to pay principle of Taxation?
 - a. Erik Lindahl
 - b. Adamsmith
 - c. None of the above.
 - d. All of the above.
7. Who are the profounder of concentration theory of tax shifting?
 - a. Physiocrat.
 - b. Indian economists
 - c. American economists
 - d. All of the above.
8. Which of the following are the canons of public expenditure?
 - a. Canon of benefit
 - b. Canon of surplus
 - c. Canon of economy
 - d. All of the above.
9. Public expenditure is a smooth process said by-----
 - a. Wagner
 - b. Wiseman
 - c. Peacock
 - d. None of them
10. Public expenditure is a discontinuous process said by-----
 - a. Wagner
 - b. Wiseman –Peacock
 - c. Robins
 - d. None of them

II. Tick whether the following statement is True/ False

1×10=10

- a. Tax burden cannot be shifted under Monopoly. (True/False)
- b. Repudiation is the most common method of redemption of public debt (True/False)
- c. Public debt can be classified into 8 categories (True/False)
- d. Internal public debt is more dangerous than external public debt (True/False)
- e. Debt from SBI is an external debt for Govt of India (True/False)
- f. When a particular tax is imposed on a whole seller and the whole seller succeed to transfer the burden of tax to the retailer this is called forward tax shifting. (True/False)
- g. Taxes should impose the least burden on tax payers is called fiscal nutreality. (True/False)
- h. Excess burden means possible reduction of economic welfare of the consumer when a specific commodity tax distorts the price ratio as between tax and non-taxed commodities (True/False)
- i. Impact is the ultimate burden of tax. (True/False)
- j. Incidence is the ultimate burden of tax. (True/False)
