D 122349 (Pages : 4) Name...

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SECOND SEMESTER M.A. DEGREE (REGULAR/SUPPLEMENTARY) EXAMINATION, APRIL 2025

(CBCSS)

Economics

ECO 2C 07—PUBLIC FINANCE : THEORY AND PRACTICE

(2019 Admission onwards)

Time : Three Hours   Maximum : 30 Weightage

Part A (Multiple Choice Questions)

Answer **all** *questions.*

Each bunch of five questions carries a weightage of 1/5.

1. Who developed the concept of club goods ?

   (a) James M. Buchanan.   (b) A.P. Lerner.

   (c) J.S.Mill.   (d) Eric Lindahl.

2. Which among the following is an example of merit good ?

   (a) National defense.   (b) Cinemas.

   (c) Education.   (d) All of the above.

3. ———————— face the problem of free riders.

   (a) Private goods.   (b) Public goods.

   (c) Club goods.   (d) None of these.

4. The division of functions and resources amongst the different tiers of the government is called :

   (a) Fiscal federalism.   (b) Fiscal decentralization.

   (c) Fiscal autonomy.   (d) None of these.

5. The tax imposed on a specific item or service such as tobacco or alcohol is known as :

   (a) Excise duty.   (b) Sales tax.

   (c) Estate duty.   (d) Income tax.

Turn over

6. —————————— is the difference between total receipts (excluding net borrowings) and total expenditure.

    (a) Budget deficit.   (b) Fiscal deficit.

    (c) Primary deficit.   (d) Monetized deficit.

7. —————————— are unfunded debts.

    (a) Bonds.

    (b) Treasury bills.

    (c) Borrowings from the central bank.

    (d) All the above.

8. Which among the following does not come under the expenditure on revenue account in India ?

    (a) Defence.   (b) Civil services.

    (c) Interest payments.   (d) Acquisition of fixed assets.

9. —————————— debts can be repaid by the government even before the period of maturity.

    (a) Funded.   (b) Callable.

    (c) Marketable.   (d) None of these.

10. —————————— is a tax imposed on the successor of a deceased person's wealth, money, gold and property.

    (a) Excise duty.   (b) Customs.

    (c) Estate duty.   (d) Wealth tax.

11. Which among the following is an important tax which is shared between the states and the centre :

    (a) Income tax.   (b) Agricultural income tax.

    (c) Land revenue.   (d) Entertainment tax.

12. Externalities generally lead to ——————————.

    (a) Pareto optimum condition.   (b) Equilibrium.

    (c) Market failure.   (d) All of these.

13. Which act was passed by the Government of India to establish financial discipline and reduce fiscal deficits ?

    (a) IT Act.   (b) FEMA.

    (c) FRBM Act.   (d) NFSA.

14. ———————— of a tax is its first point of contact with the tax payers.

    (a) Incidence.   (b) Impact.

    (c) Shifting.   (d) Effect.

15. Who was the chairman of the 14th Finance Commission of India ?

    (a) Y. V. Reddy.   (b) N.K. Singh.

    (c) K.C. Pant.   (d) Sushma Nath.

$(15 \times 1/5 = 3$ weightage$)$

Part B (Very Short Answer Questions)

Answer any **five** *questions.*
Each question carries a weightage of 1.

16. Write a note on revenue deficit.

17. Briefly explain externalities.

18. What do you mean by incidence of tax ?

19. Write a note on VAT.

20. Distinguish between redeemable and irredeemable public debt.

21. Explain the FRBM act of India.

22. Distinguish between club goods and merit goods.

23. Write a note on the concept of subsidy.

$(5 \times 1 = 5$ weightage$)$

Turn over

Part C (Short Answer Questions)

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

24. Give brief account of the important sources of revenue to the state governments in India.

25. Write a note on the importance of finance commission.

26. Discuss the importance of fiscal policy in economic development.

27. Explain the characteristics of public goods.

28. What is the importance of Pigovian tax in dealing with externalities ?

29. What are the major sources of revenue to the local bodies in India ?

30. Briefly explain Musgrave's thesis of inter generational equity.

31. Write a note on sinking fund.

32. Discuss the major issues in centre-state financial relations in India.

33. Briefly explain different types of tax shifting.

$(7 \times 2 = 14$ weightage$)$

Part D (Essay Questions)

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

34. Discuss the nature and scope of public finance.

35. Briefly explain the theory of optimal taxation.

36. Critically examine the pure theory of public expenditure.

37. Briefly explain the principles of federal finance.

$(2 \times 4 = 8$ weightage$)$