

**SIXTH SEMESTER B.A. DEGREE EXAMINATION, MARCH 2019**

(CUCBCSS)

Economics

ECO 6B 13—PUBLIC FINANCE

Time : Three Hours

Maximum : 80 Marks

**Section A***Answer all twelve questions.**Each question carries  $\frac{1}{2}$  mark.*

1. Which of the following refers to the use of taxes and public expenditures to help dampen the swings associated with the business cycle ?
  - (a) Monetary policy.
  - (b) Balanced budget.
  - (c) Fiscal policy.
  - (d) None of these.
2. Which of the following states that those who are essentially equal should be taxed equally ?
  - (a) Ability-to-pay principle.
  - (b) Horizontal equity principle.
  - (c) Vertical equity principle.
  - (d) Benefit principle.
3. The marginal tax rate is :
  - (a) The extra tax that is paid per dollar of additional income.
  - (b) Total taxes divided by total income.
  - (c) Total income divided by total taxes.
  - (d) None of the above.
4. Ram makes Rs. 30,000 per year and pays Rs. 6,000 in income taxes. Raj makes Rs. 40,000 and pays Rs. 10,000 in income taxes. This is an example of :
  - (a) A Progressive Tax.
  - (b) A Proportional Tax.
  - (c) A Regressive Tax.
  - (d) A Degressive Tax.
5. Interest payments, subsidies and pensions in Budget are part of \_\_\_\_\_.
  - (a) Plan Expenditure.
  - (b) Non-plan Expenditure.
  - (c) Capital Expenditure.
  - (d) State Government Expenditure.

**Turn over**

6. The most important source of income for the Union Government is \_\_\_\_\_.  
(a) Customs Duty. (b) GST.  
(c) Central Excise Duty. (d) VAT.
7. Select the odd one out :  
(a) Customs Duties. (b) Value added Tax.  
(c) Excise Duties. (d) Income Tax.
8. The difference between total expenditure and total receipts is \_\_\_\_\_.  
(a) Fiscal Deficit. (b) Primary Deficit.  
(c) Budget Deficit. (d) Revenue Deficit.
9. In India, deficit financing is used for raising resources for \_\_\_\_\_.  
(a) Economic Development. (b) Redemption of Public Debt.  
(c) Adjusting BOP. (d) Reducing Foreign debt.
10. GST did away with \_\_\_\_\_.  
(a) VAT. (b) Sales Tax, Excise Duty.  
(c) VAT and All Service Tax. (d) Service Tax, Excise Duty, VAT.
11. Who propounded the Canon of Certainty, Convenience and Economy ?  
(a) Adam Smith. (b) Marshall.  
(c) Keynes. (d) Musgrave.
12. Which authority recommends the principles governing the distribution of grants-in-aid to states out of the Consolidated Fund of India ?  
(a) Planning Commission. (b) Finance Commission.  
(c) NITI Aayog. (d) Central Government.

(12 × ½ = 6 marks)

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

*Answer any ten questions.*

*Each question carries 2 marks.*

13. Public Revenue.  
14. Budget.  
15. Special Assessment.  
16. Tax.  
17. Progressive Tax.

18. Public Good.
19. Deficit Financing.
20. VAT.
21. Zero Base Budget.
22. Mixed Goods With Example.
23. Vertical Equity.
24. Revenue Deficit.

(10 × 2 = 20 marks)

### Section C (Short Essays)

*Answer any **six** questions.*

*Each question carries 5 marks.*

25. Comment on the key recommendations of the 14th Finance Commission.
26. Enumerate the various methods of debt redemption ?
27. Describe the Peacock-Wiseman Hypothesis of Public expenditure.
28. Write down the three major fiscal functions of the government according to Prof. Musgrave.
29. Point down the difference between impact and incidence of a tax.
30. Briefly explain the idea behind performance budgeting.
31. Explain why Governments borrow funds even when they can raise revenue through taxation ?
32. What are the merits and demerits of proportional taxes ?

(6 × 5 = 30 marks)

### Section D (Essay Questions)

*Answer any **two** questions.*

*Each question carries 12 marks.*

33. Explain Principle of Maximum Social Advantage using a diagram.
34. Describe in detail the Ability to Pay theory of taxation.
35. What are the causes of growth of public expenditure in India? Explain.
36. Explain the concept of Cost Benefit analysis with suitable examples.

(2 × 12 = 24 marks)