

Name:

Reg. No.:

SECOND SEMESTER M.A. DEGREE EXAMINATION, JUNE 2017
(CCSS)

ECO 2C 09 – PUBLIC FINANCE AND POLICY
(2013 Admission)

Time: Three Hours

Maximum: 80 Marks

PART A

*Answer all questions
Each question carries 1 mark.*

1. The difference between fiscal deficit and interest payment during the year is called
 - (a) Fiscal deficit
 - (b) Budget deficit
 - (c) Primary deficit
 - (d) Revenue deficit
2. The most important source of revenue to the states is
 - (a) Sales tax
 - (b) Service tax
 - (c) Excise duty
 - (d) None of the above
3. Which of the following is a union tax?
 - (a) Corporation tax
 - (b) Taxes on agricultural income
 - (c) Capitation taxes
 - (d) Land revenues
4. The main difference between public and private finance is .
 - (a) balance of income-expenditure
 - (b) coercive to raise income
 - (c) dissaving
 - (d) none of the above
5. Which among the following is not a method of debt redemption
 - (a) sinking fund
 - (b) refunding
 - (c) deficit financing
 - (d) all of the above
6. According to Wagner, the root cause of the increasing public expenditure in modern times is
 - (a) defence
 - (b) the pressure for social progress
 - (c) democracy
 - (d) none of the above
7. Market failure can occur when
 - (a) monopoly power exists in the market
 - (b) markets are missing
 - (c) moral hazard and adverse selection exist
 - (d) all of the above
8. A tax is ad valorem when it is
 - (a) based on income
 - (b) based on money value
 - (c) based on the weight of good
 - (d) based on transport cost
9. Public expenditure is a financial means to secure
 - (a) capital objectives
 - (b) social objectives
 - (c) socialism
 - (d) employment

Turn over

10. Which is the main point of difference between public and private finances

- (a) Borrowing
- (c) price policy

- (b) secrecy
- (d) All of the above

(10 x 1 = 10 marks)

Part B

*Answer any eight questions
Each question carries 5 marks.*

- 11. What is public expenditure? Examine the effects of public expenditure on production, distribution and consumption
- 12. Define tax. Distinguish among impact, shifting and incidence of taxes
- 13. Explain the theories of public expenditure
- 14. What is the rationale for inter governmental transfer of resources in a fiscal federal system
- 15. Explain Zero based budgeting.
- 16. Analyze Median voter theorem
- 17. What are the reasons for government failure
- 18. Explain the concept of balanced budget multiplier.
- 19. Explain Wiseman-Peacock hypothesis of the growth of Public Expenditure
- 20. Explain Samuelson contribution to the provision of public goods.
- 21. Explain the various methods of debt redemption?
- 22. Discuss the relevance of vertical and horizontal equity in a federal set up.

(8 x 5 = 40 marks)

Part C

*Answer any two questions.
Each question carries 15 marks*

- 23. Explain the theory of optimal taxation
- 24. Evaluate the major issues in centre-state financial relations in India
- 25. Explain the scope for government activity in a mixed economy.
- 26. Elaborate on the concept of intergenerational equity in the back drop of public debt?

(2 x 15 = 30 marks)
