MA ECONOMICS
First Semester
PUBLIC FINANCE
(MEC - 102)

Duration: 3Hrs.

Full Marks: 70

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

(PART-B: Descriptive)

Duration: 2 hrs. 40 mins.

Marks: 50

Answer any *four* from *Question no.* 2 to 8
Question no. 1 is compulsory.

1. Critically explain the voluntary exchange principle of taxation. (10)

2. What is incidence of tax? Distinguish between impact and incidence of tax. Explain the shifting of tax under oligopoly. (2+3+5=10)

3. Define the term public finance. Explain the fiscal functions of the government. How do you relate it to the scope of public finance? (2+5+3=10)

4. Explain the Wisemen-Peacock theory of public expenditure. How does it differ from Wagner's Law? (7+3=10)

5. Explain the principle of equity. How would you apply taxation principle for the growth of a developing country? (5+5=10)

6. Define public good, social good and merit good with suitable examples. Explain diagrammatically the provision of mixed good. (5+5=10)

7. What is the nature of burden of public debt? Explain the various methods of debt repayment. (3+7=10)

8. What is shifting of tax? Explain the various theories of tax shifting. (2+8=10)

*****
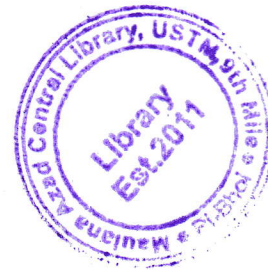
MA ECONOMICS
First Semester
PUBLIC FINANCE
(MEC - 102)

Duration: 20 minutes

Marks – 20

(PART A - Objective Type)

1×20=20

I. Choose the correct answer:

1. Public finance is generally concerned with-
   a) Income of the government
   b) Both (a) & (b)
   c) Expenditure of the government
   d) None of the above

2. Public goods are-
   a) Excludable in nature
   b) Non excludable in nature
   c) Rival in consumption
   d) All of the above

3. Tax efficiency arises-
   a) By minimizing the cost of tax collection.
   b) By maximizing the cost of tax collection.
   c) Both (a) and (b).
   d) None of the above.

4. Match the following list:

   A) Lindhal   i) Dynamic incidence
   B) Smith   ii) Voluntary exchange principle
   C) Wagner   iii) Increasing state activity
   D) Douglas Dosser   iv) Ability to pay

   a) A- i, B- ii, C- iii, D- iv.
   b) A-i, B- iv, C- iii, D- ii.
   c) A- ii, B- iv, C-iii, D- i.
   d) A- iv, B- ii, C-iv, D- i.

5. The specific incidence of tax is one for which-
   a) No change in public expenditure.
   b) Increase in public expenditure.
   c) Decreases in public expenditure.
   d) None of the above.

6. According to Colin Clark the level of taxable capacity for a country is equal to
   a) 20%   b) 25%   c) 30%   d) None of the above

7. Equity of taxation means tax according to-
   a) Benefit received.
   b) Maximizing the cost of tax collection.
   c) Minimizing the cost of tax collection.
   d) Ability to pay.

8. Under monopoly, if the tax is on profit then the tax will be paid by-
   a) The consumer.   b) The monopoly himself
   c) Both (a) & (c)   d) None of the above

9. The principle of social cost benefit analysis is concerned with-
   a) Taxation   b) Expenditure
   c) Public debt   d) None of the above

10. Tax incidence refers to-
    a) How a tax is collected.
    b) The person or group who finally pays the tax
    c) Payment of tax in the first instance
    d) None of the above.

11. In India fiscal years starts from-
    a) 31st March   b) 1st April.   c) 31st April   d) 1st March.

12. Pure theory of public finance is associated with-
    a) Lindhal   b) Bowen   c) Musgrave   d) Samuelson

13. Concentration theory of tax shifting is also known as
    a) Modern theory of shifting   b) Diffusion theory
    c) Physiocrat theory   d) None of the above

14. Which of the following is not an objective of taxation in developing countries?
    a) Growth objective   b) Equity and redistribution objective
    c) Stabilization objectives   d) Revenue objectives

15. Wagner is remembered for his theory on-
    a) Public debt   b) Benefit principle
    c) Increasing state activity   d) Theories of shifting

16. Choose the correct option for the following statements whether it is true or false.
    A) Horizontal equity means unequal treatment of unequal's.
    B) Vertical equity means equal treatment for equals.
    C) Absolute taxable capacity indicates the maximum possible amount of tax that can be collected from the tax payer.
    D) Relative taxable capacity compares the absolute taxable capacities of different tax payersor group

    a) A- False, B- False, C- True, D- True.
    b) A- True, B- False, C- True, D- True.
    c) A- False, B- True, C- False, D- False.
    d) A- True, B- True, C- False, D- false.

17. Assertion (A): Use of goods and services from which one can be excluded are pure private goods.
    Reason (R): Private goods and services are not provided free by the states
    (a) Both A and R are true, and R is the correct explanation of A
    (b) Both A and R are true, but R is not the correct explanation of A.
    (c) A is true, but R is false.
    (d) A is false, but R is true.

18. Assertion (A): According to Wiseman-Peacock public expenditure jumps upward at intervals.
    Reason (R): There is abnormal need for increase in public expenditure.
    (a) Both A and R are true, and R is the correct explanation of A.
    (b) Both A and R are true, but R is not the correct explanation of A.
    (c) A is true, but R is false.
    (d) A is false, but R is true.

19. Assertion (A): Equal proportional sacrifice requires that the loss of utility due to tax payment as percentage of utility of income-before-tax should be equal for every tax payer.
    Reason (R): The tax payer with larger income will pay less than the tax payer with lesser income.
    (a) Both A and R are true, and R is the correct explanation of A.
    (b) Both A and R are true, but R is not the correct explanation of A.
    (c) A is true, but R is false.
    (d) A is false, but R is true.

20. Assertion (A): An important objective of taxation in a developing country is to achieve equity.
    Reason (R): Developing country, in general there is no inequality of income and wealth.
    (a) Both A and R is true, and R is the correct explanation of A.
    (b) Both A and R is true, but R is not the correct explanation of A.
    (c) A is true, but R is false.
    (d) A is false, but R is true.

*****