

19 NOV 2015

**V/ECO (vi)**

**2015**

( 5th Semester )

**ECONOMICS**

**SIXTH PAPER**

( **Public Finance** )

Full Marks : 75

Time : 3 hours

( PART : B - DESCRIPTIVE )

Marks : 50 )

*The figures in the margin indicate full marks  
for the questions*

**Answer all questions**

**UNIT—I**

1. Define public finance. Distinguish between public finance and private finance. 2+8=10

*Or*

Explain the principle of maximum social advantage. 10

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( Turn Over )

( 2 )

UNIT—II

2. What is public expenditure? Examine the effects of public expenditure on production and distribution. 2+8=10

Or

State the canons and principles of public expenditure. 10

UNIT—III

3. Define tax. What are the characteristics of a good tax system? 3+7=10

Or

What is taxable capacity? Mention the factors determining taxable capacity. 3+7=10

UNIT—IV

4. Explain various sources of public borrowing by the government. 10

Or

Explain various effects of public debt. 10

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( Continued )

( 3 )

UNIT—V

5. How is a budget prepared and passed in India? 10

Or

Examine the main functions of Finance Commission of India. 10

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2015

( 5th Semester )

**ECONOMICS**

SIXTH PAPER

( **Public Finance** )

( PART : A—OBJECTIVE )

( Marks : 25 )

The figures in the margin indicate full marks for the questions

Answer **all** questions

SECTION—A

( Marks : 10 )

Tick (✓) the correct answer in the brackets provided :

1×10=10

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

(a) Borrowing ( )

(b) Secrecy ( )

(c) Price policy ( )

(d) All of the above ( )

2. Market failure occurs when

- (a) monopoly power exists in the market ( )
- (b) markets are missing ( )
- (c) moral hazard and adverse selection exist ( )
- (d) All of the above ( )

3. Public expenditure is a financial means to secure

- (a) capital objectives ( )
- (b) social objectives ( )
- (c) socialism ( )
- (d) employment ( )

4. Increase in public expenditure is not due to

- (a) expansion of state activities ( )
- (b) population increase ( )
- (c) urbanisation ( )
- (d) existence of black market ( )

5. 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 ( )

6. MODVAT means

- (a) modified value added tax ( )
- (b) modernised value added tax ( )
- (c) moderated value added tax ( )
- (d) mode of value added tax ( )

7. A method of debt redemption includes

- (a) sinking fund ( )
- (b) capital levy ( )
- (c) refunding ( )
- (d) All of the above ( )

8. The main objective of taking public loan is to

- (a) achieve social objective
- (b) achieve personal objective
- (c) achieve long-term objective
- (d) achieve short-term objective

9. Functional classification of budget refers to

- (a) economic services only
- (b) social services only
- (c) general services only
- (d) All of the above

10. The First Finance Commission was appointed in

- (a) 1951
- (b) 1954
- (c) 1956
- (d) 1960

SECTION—B

( Marks : 15 )

3x5=15

Write short notes on the following :

- 1. Distinction between private and public goods

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2. Wagner's law of public expenditure

( Marks : 12 )

Write short notes on the following :

i. Distinction between private and public goods

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3. Impact and incidence of taxes

( 8 )

4. Ricardian equivalence theorem of public debt

( 9 )

5. Characteristics of an ideal budget

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