

**2021**

(CBCS)  
(5<sup>th</sup> Semester)  
**ECONOMICS**

SIXTH PAPER  
**[Public Finance]**

*Full Marks: 75*

*Time: 2 hours*

**INSTRUCTIONS TO CANDIDATES**

(Please read the instructions carefully before you start writing your answers)

1. Questions should be attempted as per instructions.
2. Do not copy the Questions. Indicate the Section and Question No. clearly while attempting the answer.
3. For Multiple choice answers, candidate should indicate the Question No., Sub. No., (if any) and the correct answer.  
For example :

1. *Name the State capital of Mizoram.*

(a) *Lunglei*

(b) *Aizawl*

(c) *Champhai*

Candidate should provide answer as—Q. No. 1 : (b) *Aizawl*

[Candidate should avoid writing only (b) ]

4. Section B - Answer to Short Answer should be limited to **One Page** only.
5. The figures in the margin indicate full marks for the questions.

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**SECTION : A – OBJECTIVE**

( Marks: 30 )

Choose the correct answer from the following:

1x30=30

1. Public authorities includes
  - (a) Central Government
  - (b) State Government
  - (c) Local Government
  - (d) All of these
  
2. Public goods are non-rival if
  - (a) Some people cannot be prevented from consuming it
  - (b) Consumption by one person reduces consumption of other individuals
  - (c) of other individuals
  - (d) Some people are excluded from consuming it
  - (e) All of the above
  
3. Public Finance is a technique of \_\_\_\_\_ for the welfare of the public
  - (a) Spending only
  - (b) Income only
  - (c) Borrowing and financial administration
  - (d) All of these.
  
4. To correct market failure and distribution, the government should resort to \_\_\_\_\_ taxation on income and wealth
  - (a) Proportional
  - (b) Progressive
  - (c) Regressive
  - (d) Degressive

5. Obligatory functions of the government includes
  - (a) Provision of education
  - (b) Establishment of hospital
  - (c) Maintenance of peace and security
  - (d) Building of parks.
  
6. The net social advantage shall be maximum only at the point where
  - (a) Social sacrifice exceeds social benefit
  - (b) Social sacrifice equals social benefit
  - (c) Social sacrifice is less than social benefit
  - (d) None of these.
  
7. Expenditure on defence, interest payments, law and order maintenance and public administration expenses are generally treated as:
  - (a) Productive Expenditure
  - (b) Unproductive Expenditure
  - (c) Growth-oriented Expenditure
  - (d) Progressive Expenditure
  
8. During depression, the nature public expenditure should be
  - (a) Short term
  - (b) Medium term
  - (c) Both a and b
  - (d) Long term
  
9. During inflation public expenditure should be
  - (a) Increased
  - (b) Reduced
  - (c) Diverted towards social welfare
  - (d) Remain constant
  
10. Public expenditure helps to remove the regional imbalances by transferring resources from
  - (a) backward to developed region
  - (b) developed to backward region to
  - (c) hilly areas to plain areas
  - (d) None of the above
  
11. The canon of Economy requires that the State should
  - (a) spend more money
  - (b) be economical in spending money
  - (c) be flexible
  - (d) None of the above

12. When Government incurs expenditure on the provision of education, medical facilities etc. this will
- (a) increase the efficiency of the people
  - (b) increase their power to work
  - (c) results on an increase in income
  - (d) All of the above
13. Which of these is an Indirect tax?
- (a) Income tax
  - (b) Corporation tax
  - (c) Excise duty
  - (d) Capital Gains tax
14. The 20<sup>th</sup> and 21<sup>st</sup> centuries modern state is a
- (a) Police state
  - (b) Welfare state
  - (c) Monarchy state
  - (d) Anarchy state
15. The burden of direct taxes is borne by
- (a) Rich person
  - (b) Poor person
  - (c) On whom it is levied
  - (d) None of these
16. The payment made by the citizens of a particular locality in exchange for certain special facilities given to them by the authorities is known as
- (a) Special assessment
  - (b) Duties
  - (c) Government properties
  - (d) Fines
17. Which is the best measure of a person's ability to pay?
- (a) Expenditure
  - (b) Property
  - (c) Income
  - (d) Financial assets
18. What will you call a system of taxation under which the poorer sections are taxed at higher rates than the richer sections?
- (a) Progressive
  - (b) Proportional
  - (c) Regressive
  - (d) Degressive

19. Internal public debt denotes
- (a) Debt raised from international financial institutions
  - (b) Debt raised within the country
  - (c) Debt raised by treasury bills only
  - (d) Market borrowings of the government only
20. Issuing of new bonds of securities by the government in order to pay off the matured loans means
- (a) Terminal annuity
  - (b) Sinking fund
  - (c) Debt Conversion
  - (d) Refunding
21. The main causes of increase in public debt is
- (a) Developmental planning
  - (b) Waging war
  - (c) Covering temporary deficit
  - (d) All of the above
22. \_\_\_\_\_ refers to refusal to pay
- (a) Repudiation
  - (b) Capital levy
  - (c) Sinking fund
  - (d) Refunding
23. The debts which the government promises to pay off at a specified date are called
- (a) Irredeemable debt
  - (b) Funded debts
  - (c) Redeemable debt
  - (d) Unfunded debt
24. The burden of long term debt is on
- (a) Present generation
  - (b) Past generation
  - (c) Future generation
  - (d) None of these
25. Finance Commission determines
- (a) The finance of Government of India
  - (b) The resources transfer to the State
  - (c) The resources transfer to the various departments
  - (d) None of the above

26. After preparing budget it is presented before the
- (a) President
  - (b) Prime minister
  - (c) Audit department
  - (d) Parliament
27. Non-Votable items includes
- (a) the salary and allowances of President of India
  - (b) salary and allowance of the Chairman of Rajya Sabha and Speaker and Deputy Speaker of the Lok Sabha
  - (c) the debt charges of the Government of India
  - (d) All of the above
28. The Finance Commission is appointed after every
- (a) 5 years
  - (b) 4 years
  - (c) 3 years
  - (d) 2 years
29. In India The Finance Commission is appointed by
- (a) Prime Minister
  - (b) President of India
  - (c) Chief Judge of India
  - (d) None of the above
30. Chairman of the first Finance Commission
- (a) Chada
  - (b) K.C.Neogi
  - (c) Santhanam
  - (d) Y.V.Chavan

**SECTION : B – SHORT ANSWER**

(Marks : 45)

**Answer the following questions in not more than 1 (one) page each, choosing 3 (three) questions from each unit.**

3x15=45

**Unit - I**

1. What is meant by public finance?
2. Point out three differences between public finance and private finance.
3. Explain the doctrine of principle of maximum social advantage.
4. What do you mean by market failure?

**Unit – II**

5. Explain any three canons of public expenditure.
6. What are the cause of growth of public expenditure in recent years?
7. Explain the classification of public expenditure.
8. What are the main objectives of public expenditure?

**Unit – III**

9. Distinguish between direct and indirect tax.
10. On what factor does taxable capacity depends?
11. Give the characteristics of a good tax system.
12. State the various sources of taxation.

**Unit – IV**

13. What are the sources of public borrowings?
14. Explain the main causes for the increase in public debt.
15. Explain any three methods adopted by the Govt. to redeem public debt.
16. What are the different types of public debt?

**Unit –V**

17. What do you mean by a public budget?
18. State the role of Finance Commission.
19. What are the different kinds of budget?
20. Write short notes on Zero-based budgeting.

\*\*\*\*\* End of Question \*\*\*\*\*