**Business Economics - III (Sem-V)**      October - 2014

Note: (1) All questions are compulsory. (2) Figures to the right indicate full marks. (3) Draw neat diagrams wherever necessary.

(1) **Attempt any two of the following:** (15)
  (a) Explain the meaning and scope of public finance.
  (b) Discuss Musgrave's Maximum Welfare Principle of Budget Determination.
  (c) Outline the features of sound finance.

(2) **Attempt any two of the following:** (15)
  (a) Explain the various sources for tax and non-tax revenue of the government.
  (b) Examine the merits and demerits of direct taxes.
  (c) Discuss the factors affecting shifting of a tax.

(3) **Attempt any two of the following:** (15)
  (a) Discuss the classification of public expenditure.
  (b) Explain the various methods of managing public debts.
  (c) Discuss the limitations of FRBM Act, 2003.

(4) **Attempt any two of the following:** (15)
  (a) Explain the organised sector of Indian money market.
  (b) Describe the money market reforms in India since 1991.
  (c) Explain the significance of capital market in economic development.

(5) (A) **State with reasons whether the following statements are True or False (any Four):** (8)
  (i) The Marginal Social Sacrifice (MSS) curve is upward sloping from left to right.
  (ii) After the great depression, the extent of state activities has decreased.
  (iii) Fees and penalties are administrative non-tax revenue to the government.
  (iv) Indirect taxes on necessities are regressive in nature.
  (v) External debts do not have direct money burden.
  (vi) Fiscal deficit is the difference between total revenue and total expenditure.
  (vii) There exist multiple interest rates in Indian money market.
  (viii) Capital market comes under the purview of SEBI.

  (B) **Choose the correct answer and rewrite the statements (any seven):** (7)
  (i) According to Musgrave, the major function of public finance is _____.
    (a) Allocative function   (b) Distributive function   (c) Stabilization function   (d) All of these
  (ii) Marginal Social Benefit (MSB) is based on the principle of _____.
    (a) Increasing marginal utility   (b) Equi-marginal utility
    (c) Diminishing marginal utility   (d) None of the above
  (iii) The concept of functional finance is attributed to _____.
    (a) David Ricardo   (b) Adam Smith   (c) J. B. Say   (d) A. P. Lerner
  (iv) _____ is not an example of tax revenue.
    (a) Income tax   (b) Customs duty   (c) VAT   (d) Special assessment
  (v) Transfer payments do not include _____.
    (a) Old age pension   (b) Defence expenditure   (c) Interest payments   (d) Subsidies
  (vi) Impact of a tax refers to _____.
    (a) Final money burden   (b) Immediate money burden
    (c) Indirect money burden   (d) None of the above
  (vii) Government expenditure on interest payments is an example of _____.
    (a) Non-transfer expenditure   (b) Capital expenditure
    (c) Non-developmental expenditure   (d) Productive expenditure
  (viii) Internal debts can be raised through _____.
    (a) RBI   (b) WTO   (c) IMF   (d) GDRs
  (ix) When total revenue equals total expenditure, the budget shows _____.
    (a) Balance   (b) Deficit   (c) Surplus   (d) None of these
  (x) Which of the following is not a component of unorganised money market?
    (a) Loan companies   (b) Money Lenders   (c) Call money market   (d) Chit funds
  (xi) Certificate of Deposits (CDs) are issued by _____.
    (a) Commercial banks   (b) Foreign banks   (c) Regional Rural banks   (d) Local banks
  (xii) Gilt-edged securities refer to _____.
    (a) Bonds   (b) Securities issued by Municipal Corporation
    (c) Industrial issues   (d) Government securities.