

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)
- Explain the meaning and scope of public finance.
 - Discuss Musgrave's Maximum Welfare Principle of Budget Determination.
 - Outline the features of sound finance.
- (2) Attempt any two of the following: (15)
- Explain the various sources for tax and non-tax revenue of the government.
 - Examine the merits and demerits of direct taxes.
 - Discuss the factors affecting shifting of a tax.
- (3) Attempt any two of the following: (15)
- Discuss the classification of public expenditure.
 - Explain the various methods of managing public debts.
 - Discuss the limitations of FRBM Act, 2003.
- (4) Attempt any two of the following: (15)
- Explain the organised sector of Indian money market.
 - Describe the money market reforms in India since 1991.
 - 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)
- The Marginal Social Sacrifice (MSS) curve is upward sloping from left to right.
 - After the great depression, the extent of state activities has decreased.
 - Fees and penalties are administrative non-tax revenue to the government.
 - Indirect taxes on necessities are regressive in nature.
 - External debts do not have direct money burden.
 - Fiscal deficit is the difference between total revenue and total expenditure.
 - There exist multiple interest rates in Indian money market.
 - Capital market comes under the purview of SEBI.
- (B) Choose the correct answer and rewrite the statements (any seven): (7)
- According to Musgrave, the major function of public finance is _____.
(a) Allocative function (b) Distributive function (c) Stabilization function (d) All of these
 - 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
 - The concept of functional finance is attributed to _____.
(a) David Ricardo (b) Adam Smith (c) J. B. Say (d) A. P. Lerner
 - _____ is not an example of tax revenue.
(a) Income tax (b) Customs duty (c) VAT (d) Special assessment
 - Transfer payments do not include _____.
(a) Old age pension (b) Defence expenditure (c) Interest payments (d) Subsidies
 - Impact of a tax refers to _____.
(a) Final money burden (b) Immediate money burden
(c) Indirect money burden (d) None of the above
 - Government expenditure on interest payments is an example of _____.
(a) Non-transfer expenditure (b) Capital expenditure
(c) Non-developmental expenditure (d) Productive expenditure
 - Internal debts can be raised through _____.
(a) RBI (b) WTO (c) IMF (d) GDRs
 - When total revenue equals total expenditure, the budget shows _____.
(a) Balance (b) Deficit (c) Surplus (d) None of these
 - 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
 - Certificate of Deposits (CDs) are issued by _____.
(a) Commercial banks (b) Foreign banks (c) Regional Rural banks (d) Local banks
 - Gilt-edged securities refer to _____.
(a) Bonds (b) Securities issued by Municipal Corporation
(c) Industrial issues (d) Government securities.