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(Pages : 3)

Name.....

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Reg. No.....

THIRD SEMESTER M.A. DEGREE EXAMINATION, DECEMBER 2014

(CUCSS)

Economics

ECO 3C 12—FISCAL ECONOMICS

Time : Three Hours

Maximum : 36 Weightage

Part A

Answer all questions.

Each bunch of four question carries weightage 1.

I. Multiple choice :

- 1 Goods whose benefits are completely indivisible, and are jointly and equally consumed by a large relevant consuming group is :
 - (a) Club goods.
 - (b) Pure public good.
 - (c) Quasi-public good.
 - (d) Pure private good.
- 2 A sound tax system should preferably be based upon :
 - (a) The principle of progression.
 - (b) Direct taxation.
 - (c) Diversified tax system.
 - (d) All the above.
- 3 The person with higher income will be expected to bear the most burden is implied in the principle of :
 - (a) Equal absolute sacrifice.
 - (b) Equal proportional sacrifice.
 - (c) Equal Marginal sacrifice.
 - (d) None of these.
- 4 A deficit budget can be secured by :
 - (a) Increasing expenditure and tax.
 - (b) Reducing expenditure and tax.
 - (c) Increasing expenditure and reducing tax.
 - (d) Reducing expenditure and increasing tax.

II. Multiple choice :

- 5 If the amount of tax paid as a percentage of income diminishes as income increases, it is said to be :
 - (a) Progressive tax.
 - (b) Proportional tax.
 - (c) Regressive tax.
 - (d) Optimal income tax.

Turn over

6 An effort to improve distributional equity among tax payers, rather than to induce a greater tax effort by lower level government in a federation, is :

- (a) Vertical Income Tax Credit. (b) Horizontal Income Tax Credit.
(c) Grants in aid. (d) All of these.

7 Tax on the increased value of capital asset or security is :

- (a) Capital Tax. (b) Capital Levy.
(c) Capital Gains Tax. (d) Wealth Tax.

8 The Chairman of the 13th Finance Commission :

- (a) K.C. Panth. (b) A.M. Khurso.
(c) Vijay Kelkar. (d) M.S. Ahluwalia.

III. Fill in the blanks :

- 9 _____ illustrates the relation between tax rate and tax revenue.
10 Equal marginal sacrifice is also known as _____.
11 Tax only on labour and not on capital, income or wealth is called _____.
12 Technique that starts from the premise that an agency's budget base contains no program or funding is known as _____.

IV. State whether the following statements are True or False :

- 13 Five Year Plans in India is finally approved by the Parliament.
14 Budget Deficit is the difference between all revenue and expenditure of both revenue and capital account.
15 A pure private good is rival and non-excludable.
16 Indirect taxation is a better choice over direct taxation in achieving progressive tax principle. (16 × ¼ = 4 weight)

Part B

*Answer any ten questions.
Each question carries weightage 2.*

- 17 Discuss benefit principle of taxation.
18 Explain the arguments in favour of progressive taxation.
19 What is meant by "equity of tax system" ?
20 Describe the principle of federal finance.
21 Examine market failure and rationale for government intervention.
22 Discuss the advantages and disadvantages of indirect tax system.

- 23 Explain the problem of marginal cost pricing.
- 24 Distinguish between Equal absolute sacrifice, Equal proportional sacrifice and equal marginal sacrifice.
- 25 Examine reasons of Fiscal crisis in India.
- 26 What is modern theory of incidence ?
- 27 Critically evaluate Chelliah Committee Report.
- 28 Examine the term "functional finance".
- 29 Compare and contrast direct and indirect tax.
- 30 Bring out the merits and demerits of single tax system.

(10 × 2 = 20 weightage)

Part C

*Answer any three questions.
Each question carries weightage 4.*

- 31 Discuss market failure and rationale for Govt. intervention.
- 32 Describe reasons of growing public expenditure in India.
- 33 Examine the rationale of just distribution and optimal resource use.
- 34 Describe modern theory of tax incidence.
- 35 Critically evaluate the post liberalization tax reforms in India.

(3 × 4 = 12 weightage)