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4 SEM TDC ECO M 2

2014

(May)

ECONOMICS

(Major)

Course : 402

(Public Economics)

Full Marks : 80

Pass Marks : 32

Time : 3 hours

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

1. Choose the most appropriate answer of the following : 1×8=8

(a) When the benefit derived from a good is both internal and external, then it is known as

- (i) public good
- (ii) club good
- (iii) mixed good
- (iv) None of the above

(b) If the supply of a taxed commodity is perfectly elastic while its demand is relatively inelastic, the tax burden will be distributed between buyer and seller in such a way that

- (i) the burden on buyer > the burden on seller
- (ii) the burden on buyer < the burden on seller
- (iii) the entire burden of tax will be borne by the buyer
- (iv) the entire burden of tax will be borne by the seller

(c) The full form of GST is

- (i) Government Service Tax
- (ii) Goods and Service Tax
- (iii) Gross Service Tax
- (iv) General Sales Tax

(d) Public expenditure as a compensatory device is helpful to control

- (i) inflation
- (ii) depression
- (iii) misallocation of resources
- (iv) All of the above

(e) "Each taxpayer should make equal sacrifice, if the tax burden is to be justly distributed." Which theory of public finance explains the above statement?

- (i) Benefit principle
- (ii) Ability to pay principle
- (iii) Peacock-Wiseman hypothesis
- (iv) Colin-Clark hypothesis

(f) When the money burden of a tax is shifted by the producer of a commodity to the wholesaler, retailer and customers, it is known as

- (i) forward shifting
- (ii) backward shifting
- (iii) tax capitalization
- (iv) combination of forward and backward shifting

(g) Which of the following is not an objective of public utility services?

- (i) To serve the economy as a whole
- (ii) To render adequate services to all members of the society
- (iii) To maximize the profit of the enterprises that supply such services
- (iv) To serve at reasonable rates

(h) Gift tax is the example of

(i) value-added tax

(ii) direct tax

(iii) indirect tax

(iv) Non-tax revenue

2. Write short notes on any *four* of the following **(within 150 words** each) : $4 \times 4 =$

(a) Tests of maximum social advantage

(b) Merit goods

(c) Critical limit hypothesis

(d) Sources of public borrowing

(e) Forms of public enterprises

Answer the following questions **(within 500 words** each) :

3. (a) "The study of public finance has assumed increasing significance in the field of economic analysis in recent years." Explain the statement.

Or

(b) Why has the growth of public sector become necessary in a developing economy? Do you think that the public sector has to play its role even in a market driven economy?

$7+4=1$

14P—3600/900

4. (a) Explain the concepts of absolute and relative taxable capacity. Discuss the factors which determine the taxable capacity of a country. $4+7=11$

Or

(b) In what ways are the volume and composition of production in an economy affected by taxation? 11

5. (a) Public expenditure has a tendency to grow very fast in modern times. Briefly discuss the factors responsible for the rapid growth of public expenditure. 11

Or

(b) Critically explain Wagner's law of increasing State activities.

6. (a) "The real burden of public debt is borne by the future generation." Do you think that the burden of public debt passes on to the future generation? Justify. 12

Or

(b) Discuss various methods of public debt redemption.

(Continue) 14P—3600/900

(Turn Over)

7. (a) Explain the 'marginal cost of production theory' of pricing public utilities.

Or

- (b) Briefly explain the average cost of production theory of pricing public utilities. On what grounds can average cost be favoured as the base for pricing public utilities?

7+4=11
