

Sheth T.J. Education Society's

Sheth N.K.T.T. College of Commerce and Sheth J.T.T. College of Arts, Thane.

Question bank with Synoptic answers

S.Y.B.Com. Business Economics - Sem IV 2019-20

Module I

Q.1 Explain meaning and scope of public finance.

Ans: Meaning and definition of public finance, Classical economists-balanced budget, functional finance, scope in developing countries. Public finance to operate in areas of- Public revenue, public expenditure, public debt, financial administration.

Q2 Discuss the major functions of public finance.

Ans: Meaning and definition of public finance, Public finance to operate in areas of- Public revenue, public expenditure, public debt, financial administration

Q.3 Explain Dalton's version to the principle of Maximum social advantage.

Ans: Meaning, Assumptions, Concept of MSS, MSB and Maximum social advantage (MSS=MSB) with diagram. Points of criticisms/ limitations.

Q.4 Critically evaluate Musgrave's version to the principle of Maximum social advantage.

Ans: Meaning, Assumptions, Concept of MSS, MSB, Marginal net benefits (Optimum size of budget) (MSS=MSB) with diagram. Points of criticisms/ limitations.

Q.5 Explain the principle of Maximum social advantage in practice.

Ans: Explain actual principle in brief and its usefulness. Defence and preservation of community, improvement in the production of wealth, improvement in income distribution, stability of economic activity and provision for future.

Q.6 What is efficiency? How is it judged?

Ans: Meaning of efficiency. It can be judged through i. productive and allocative efficiency and ii. Through the criterion of the sum of consumer and producer surplus. Explanation of both the points with diagrams.

Q.7 Explain the term market failure. What are the causes /factors responsible for market failure?

Ans: Meaning of market failure and causes –case of public goods, market power or control by few, presence of externalities, asymmetric information, inequality, missing markets and incomplete markets, merit goods, unstable markets, de-merit goods and lack of property rights.

Q.8 Discuss the role of government in correcting market failure.

Ans: Meaning of market failure and reasons for government intervention as introduction. Role of government- securing conditions for the functioning of market mechanism, providing legal framework, provision of public goods and merit goods, correcting problem arising out of externalities, correcting unequal distribution of income and wealth, securing important social objectives, provision of social security, guiding the use of natural resources and in case of public ownership.

Q.9 Explain with examples the concept of public goods.

Ans: Meaning of market failure, reasons for government intervention and role of government as introduction. Meaning of public goods and their characteristics. Examples of public goods.

Module II

Q. 1 Discuss various sources of public revenue.

Ans: Meaning and sources of public revenue- Tax and non-tax sources to list and explain.

Q.2 Explain various objectives of taxation.

Ans: Meaning of tax as a source of income, objectives- to raise revenue to meet expenditure, reduce inequality of income, eliminate absolute poverty, economic development and full employment, promoting savings and investment, price stability, control of imbalance in balance of payments.

Q.3 Explain canons of taxation.

Ans: Meaning of tax as a source of income, canons- canon of equity, canon of certainty, canon of economy, canon of convenience, canon of productivity, canon of elasticity, canon of flexibility, canon of simplicity, canon of diversity, canon of expediency and canon of coordination.

Q.4 Explain meaning, merits and demerits of direct taxes.

Ans: Explain meaning of direct taxes, Merits- equitable, satisfy canon of certainty, elasticity, create a sense of civic consciousness, economical. Demerits- arbitrary, tax on honesty, inconvenient, affects willingness and ability to work, save and invest, affects investment.

Q.5 Explain meaning, merits and demerits of indirect taxes.

Ans: Explain meaning of indirect taxes, Merits- convenient, difficult to evade, elastic, can be made equitable, greater coverage, influence on pattern of production and investment. Demerits- unjust and inequitable, element of uncertainty, lack of social consciousness, inflationary.

Q.6 Explain the meaning of tax base and tax rates with suitable examples.

Ans: Meaning of tax base and tax rates- with examples explain-proportional taxation, progressive taxation, regressive taxation and degressive taxation.

Q.7 Explain the meaning of impact, incidence and shifting of a tax and bring out differences between impact and incidence of taxation.

Ans: To give meaning of impact, incidence and shifting of a tax- forward and backward shifting and the difference between impact and incidence of taxation.

Q.8 Discuss the sharing of tax burden between buyers and sellers under different demand elasticity.

Ans: The sharing of tax burden between buyers and sellers under different demand elasticity- perfectly elastic, perfectly inelastic, relatively more elastic and relatively less elastic demand-cases to explain with diagrams.

Q.9 Discuss the sharing of tax burden between buyers and sellers under different supply elasticity.

Ans: The sharing of tax burden between buyers and sellers under different supply elasticity- perfectly elastic, perfectly inelastic, relatively more elastic and relatively less elastic supply-cases to explain with diagrams.

Q.10 Explain how incidence of tax is influenced by cost conditions.

Ans: Meaning and with diagram to explain conditions of decreasing cost, constant cost and increasing cost.

Q. 11 Explain incidence of tax under perfect competition and monopoly (Market structure)

Ans: To explain incidence of tax under different market structure- perfect competition and monopoly- incidence of a unit or specific tax and lumpsum tax with diagram.

Q.12 Discuss economic effects of taxation.

Ans: To explain effects of taxation on income and wealth, on consumption and on savings, investment and production.

Q.13 Write note on –Taxation and redistribution of income

Ans: To explain redistributive effects of taxation on income.

Q.14 Write note on – Taxation as an anti -inflationary measure.

Ans: To explain anti –inflationary nature of taxation.

Module III

Q.1 Explain canons of public expenditure.

Ans. Meaning. Canon of economy, canon of surplus, Canon of sanction, Canon of benefit, Canon of elasticity, Canon of productivity, Canon of neutrality, Canon of equitable distribution.

Q.2 How is public expenditure classified?

Ans. Meaning. Classification-Functional, departmental, transfer and non-transfer, grants and purchase prices, capital and current expenditure, classification according to benefits, productive and unproductive, Dalton's classification, Hick's classification.

Q.3 Discuss the economic effects of public expenditure.

Ans: Meaning of PE, Economic effects-1. Effect on production-on ability and willingness to work, save and invest, diversion of economic resources, 2. on distribution, 3. On employment, 4. On stabilization and 5. On consumption.

Q.4 Critically explain Wagner's law or Wagner's hypothesis.

Ans: Meaning/statement of the law, reasons for increase in public expenditure- expansion of traditional functions, coverage of new functions, provision of public goods and merit goods.

Criticisms- Limited applicability, normative theory, neglects impact of war expenditure, simplification of the role of the state.

Q. 5 Discuss Wiseman-peacock hypothesis.

Ans: Increase in public expenditure in a step wise manner. It is due to –displacement effect, tax tolerance and inspection effect, concentration effect

Q.6 Discuss the causes of growth of public expenditure.

Ans: In brief discuss Wagner's law and Wiseman-peacock hypothesis

Causes- Expansion of traditional functions, welfare state, rise in NI, growth of population, urbanization, inflation, specialization, servicing public debt, planning and democracy.

Q.7 Discuss the significance of public expenditure.

Ans: Meaning , Significance- Provision of public goods and merit goods, meeting current consumption needs, capital expenditure, distribution of income, economic stabilization and for economic growth and development.

Q.8 Discuss the basic features of social insurance programs and its advantages and disadvantages.

Ans: Meaning, characteristics- compulsory participation, government sponsorship and regulation, contributory finance, eligibility derived from contributions, benefits prescribed in law, benefits not directly related to contributions, separate accounting.

Advantages-protection of vulnerable, social welfare, reduce inequalities, purchasing power to poor, incentive to work hard, basis of welfare capitalism.

Disadvantages- burden on participants, feeling of discrimination, may reduce willingness to work, save and invest, used for political gain, create fiscal burden.

Q. 9 Explain social insurance schemes in India.

Ans: Introduction and meaning, Schemes/programmes- Mahatma Gandhi National Rural Employment Guarantee Act, Sukanya Samridhi Yojana, Pradhan Mantri Jan Dhan Yojana, PPF, NSC, Atal Pension Yojana, Pradhan Mantri Jeevan Bima Yojana.

Q.10 What is Public Debt? How is it classified?

Ans: Meaning, Classification- Productive and unproductive, voluntary and compulsory, internal and external, short term, medium and long term, Redeemable and irredeemable debt, funded and unfunded debts

Q.11 Explain the burden of public debt.

Ans: Meaning, Internal debt burden-increases inequality, adverse effect on ability and desire to work, save and invest, transfer of purchasing power from younger to older generation, burden of war financing, burden of unproductive debt, reduce private investment. Burden of external debt-direct money burden, direct real burden, indirect money and real burden, burden of unproductive foreign debt, foreign currency burden, domination by creditor country.

Q. 12 Note on fiscal sustainability of public debt and solvency. why is public debt management important?

Ans: Meaning of fiscal sustainability and solvency. Measurements –Public debt-GDP ratio and Public debt-export ratio to explain.To explain reason for public debt management.

Q.13 Discuss the public debt management framework provided by IMF and World Bank.

Ans: Meaning of public debt management, Public debt management framework by IMF and World bank–debt management objectives and coordination, transparency and accountability, institutional framework, debt strategy and risk management, efficient market for government securities, broad principles of debt management.

Module IV

Q.1 Discuss the meaning and objectives of fiscal policy.

Ans: Meaning, objectives-optimum allocation of resources, full employment, economic stability, increasing the rate of investment and capital formation, encouraging socially optimum pattern of investment, reducing income inequality, reducing unemployment and underemployment, controlling inflation.

Q.2 Explain constituents and limitations of fiscal policy.

Ans: Meaning, Constituents- the budget, taxation, public expenditure, public debt. Limitations-practical difficulties, forecasting difficulties, multiplier, time lags, underdeveloped economies, political influence.

Q.3 Discuss the principle of sound finance.

Ans: Introduction, meaning, features of sound finance- say's law, full employment, invisible hand, taxation, public expenditure, balanced budget, market efficiency, Ricardian equivalence theory.

Q.4 Discuss the meaning of functional finance and its features.

Ans: Meaning and origin, features- market failure, importance of fiscal policy, aggregate demand, budget, income redistribution, welfare capitalism, social objectives.

Q.5 Explain types of fiscal policy.

Ans: Meaning, automatic stabilisers- built in flexibility, discretionary fiscal policy- deliberate changes in policies, contra cyclical- fiscal policy during depression and during inflation.

Q.6 Explain meaning and objectives of budget.

Ans: Meaning of budget with diagram, objectives- Allocation of resources, reduction of poverty and income inequality, economic growth, economic stability, management of public enterprises and employment generation.

Q.7 Explain different types of budget.

Ans: Meaning of budget with diagram, types- balance and unbalanced, zero based and traditional, performance and program based , legislative and executive, revenue and capital budget.

Q.8 Explain the structure of union government of India's budget.

Ans: Introduction, Components-revenue budget-revenue receipts and expenditure and capital budget-capital receipts and expenditure, union government of India's budget in structure format at glance.

Q.9 Discuss the types of deficit/ concepts of deficit.

Ans: Meaning of deficit, Concepts to explain-revenue deficit, budgetary deficit, fiscal deficit, Primary deficit, monetized deficit, effective revenue deficit.

Q.10 Explain meaning of fiscal federalism and key issues under it.

Ans: Meaning of fiscal federalism, Key issues-division of responsibilities and resources, regulation, incentives for resource transfer, tax expenditures, national and local public goods, tax competition, tax subsidies and financial imbalances.

Q.11 What is fiscal decentralization? Explain its features.

Ans: Meaning of fiscal decentralization. Components-expenditure sharing, tax sharing, supplementary levies, local taxes, user charges, inter-governmental transfer of grants and loans.

Q.12 Explain centre-state financial relations in India.

Ans: Meaning, Division of functions and justification for it, division of resource raising powers and financial imbalances and also to explain transfer of resources from centre to states.

Q.13 Write a note on 14th Finance commission recommendations.

Ans: Introduction, Functions of finance commissions, major recommendations of 14th Finance commission.

Q. 14 Write a note on Fiscal responsibility and budget management Act.

Ans: Introduction, Features /suggestions, limitations.

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