



BRAINWARE UNIVERSITY

Course – BCOM

Paper Name: Public Finance (BCM105)

(Semester – 1)

Time allotted: 3 Hours

Full Marks : 70

[The figure in the margin indicates full marks. Candidates are required to give their answers in their own words as far as practicable.]

Group –A

(Multiple Choice Type Question)

1) **Choose the correct alternatives for the following:**

10 x 1 = 10

i. For public goods principle of exclusion cannot be applied because

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|---|--------------------------|
| a) It cannot be divided | b) It cannot be marketed |
| c) Use does not reduce its availability | d) All above |

ii. Problem of free riders will mean

- | | |
|----------------------------------|---|
| a) It is available to all | b) Its availability to others not reduced |
| c) No will pay for it on his own | d) none of these |

iii. Marginal cost is

- | | |
|----------------------------|-----------------------------|
| a) Total cost of a product | b) Average cost of products |
| c) Change in total cost | d) None of the above |

iv. The term externality is also known as

- | | |
|-----------------------|------------------------|
| a) Spill over effect | b) Neighborhood effect |
| c) Third party effect | d) All the above |

v. Following is a quasi-public goods

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|--------------------|-----------------------|
| a) Defense service | b) Toll tax on bridge |
| c) Consumables | d) None of the above |

vi. India is an example of

- | | |
|-------------------------|------------------------|
| a) Capitalistic society | b) Socialistic country |
| c) Partly capitalist | d) None of these |

vii. In balanced budget

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|---|---|
| a) Equal distribution of income is made | b) Equal revenue collected from all sources |
| c) Total expenses and income are equal | d) none of the above |

viii. Pareto optimality occurs when

- | | |
|--|---|
| a) Total satisfaction of all are same | b) Marginal satisfaction of all are equal |
| c) No one is better off without making other worst off | |
| d) none of (a), (b) and (c) | |

ix. If tax rate rises on the basis of rise in income slab, it is known as-

- | | |
|--------------------|---------------------|
| a) direct tax | b) Indirect tax |
| c) Progressive tax | d) proportional tax |

x. Deficit financing is

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|----------------------|-------------------------------|
| a) Borrowing of fund | b) Printing of required notes |
| c) sale of bond | d) none of them |

Group – B

(Short Answer Type Question)

3 x 5 = 15

Answer any three questions

- 2) Suppose national income is Rs. 100 crores. Budget of the economy is balanced. Now government has decided to spend Rs 2 crores more than budget. It has decided to collect this amount by imposing extra tax. Marginal propensity to consume is 0.75. What will be the national income after this change?
- 3) What do you mean market mechanism? Why it is not applicable on public goods?
- 4) Explain in brief Expediency theory. What are its limitations?
- 5) Explain positive and negative externality by example.
- 6) Does indirect tax create less burden on the economy? Evaluate it.

Group – C

(Long Answer Type Question)

Answer any three questions

3 x 15 = 45

- 7) What is a deficit budget? Although balanced budget is best, but for developing economy, deficit budget is desired. Explain. In this context highlight arguments for and against balanced budget.
- 8) What do you mean by private goods, public goods and quasi-public goods? Explain each of them with examples.
- 9) How you can judge ability to pay? Explain different approaches with limitations
- 10) What is mixed economy? Explain its important features?
- 11) What is proportional and progressive taxation? Give arguments for and against progressive taxation.