

PSG COLLEGE OF ARTS & SCIENCE
(AUTONOMOUS)
MA DEGREE EXAMINATION DECEMBER 2024
(Third Semester)

Branch - ECONOMICS

PUBLIC ECONOMICS

Time: Three Hours

Maximum: 75 Marks

SECTION-A (10 Marks)

Answer ALL questions

ALL questions carry EQUAL marks

(10 × 1 = 10)

Module No.	Question No.	Question	K Level	CO
1	1	Which of the following goods is characterized by non-rivalrous consumption and excludability? a) Public goods b) Private goods c) Club goods d) Merit goods	K1	CO1
	2	A situation where the free market fails to allocate resources efficiently is referred to as a) Market Equilibrium b) Market Failure c) Pareto Optimality d) Public Choice	K2	CO2
2	3	Which theory emphasizes the relationship between the growth of public expenditure and the increase in per capita income? a) Pure Theory of Public Expenditure b) Colin Clark's Theory c) Keynesian Theory d) Supply-Side Theory	K1	CO3
	4	Social Cost-Benefit Analysis (SCBA) in public investment primarily involves a) Estimating the direct financial cost of a project b) Assessing both the direct and indirect impacts on society. c) Calculating the profitability of private investment d) Ignoring externalities in project evaluation	K2	CO3
3	5	The theory of optimal taxation aims to a) Maximize government revenue without considering social welfare b) Minimize the excess burden of taxation while achieving desired revenue c) Ensure that all individuals pay the same amount of tax d) Increase the tax rate to its maximum possible level	K1	CO2
	6	The excess burden of taxes refers to a) The direct financial cost of paying taxes b) The administrative cost of collecting taxes c) The loss of economic efficiency resulting from taxation d) The total revenue generated from taxes	K2	CO2
4	7	Fiscal policy aimed at stabilizing the economy through automatic mechanisms rather than deliberate action is known as a) Discretionary stabilization b) Automatic stabilization c) Monetary policy d) Supply-side policy	K1	CO5
	8	Which of the following is NOT typically a principle of debt management? a) Minimizing the cost of borrowing b) Reducing the level of public debt c) Ensuring the sustainability of public debt d) Ignoring the timing and structure of debt repayments	K2	CO4
5	9	Horizontal fiscal imbalance refers to a) The unequal distribution of revenue among different states or regions b) The central government's dominance over state finances c) The gap between urban and rural areas in terms of financial resources d) The equal distribution of funds across all states	K1	CO5

Cont...

5	10	Devolution of resources and grants in India is primarily guided by a) The Finance Ministry b) The Reserve Bank of India c) The Finance Commission d) The Planning Commission	K2	CO3
---	----	--	----	-----

SECTION - B (35 Marks)

Answer ALL questions

ALL questions carry EQUAL Marks (5 × 7 = 35)

Module No.	Question No.	Question	K Level	CO
1	11.a.	Explain the difference between externalities and market imperfections with suitable examples.	K4	CO1
		(OR)		
	11.b.	Briefly explain the concept of the Theory of Second Best and its implications for public policy.		
2	12.a.	Describe the Colin Clark's Theory on the relationship between government expenditure and national income.	K2	CO2
		(OR)		
	12.b.	State the process of estimating the discount rate for public projects and its significance in project evaluation.		
3	13.a.	Define public revenue and classify its various sources. How do these sources contribute to government finances?	K2	CO3
		(OR)		
	13.b.	Outline the structure of the Goods and Services Tax (GST) in India and its main benefits for the economy.		
4	14.a.	Assess the classical view of public debt. Why did classical economists consider public debt to be harmful?	K6	CO4
		(OR)		
	14.b.	Discuss the principles of debt management. How do governments ensure that public debt remains sustainable?		
5	15.a.	Elaborate the role of the Finance Commission in addressing horizontal fiscal imbalances in India.	K6	CO5
		(OR)		
	15.b.	What is the significance of the devolution of resources and grants from the Centre to the states in India? How does it impact regional development?		

SECTION - C (30 Marks)

Answer ANY THREE questions

ALL questions carry EQUAL Marks (3 × 10 = 30)

Module No.	Question No.	Question	K Level	CO
1	16	Examine the causes of market failure with a focus on externalities, public goods, and information asymmetry. How can government intervention address these failures?	K4	CO1
2	17	Analyse the structure and nature of public expenditure in a modern economy. How do changes in public expenditure reflect the priorities and economic goals of the state?	K4	CO2
3	18	Explain the structure and implementation of the Goods and Services Tax (GST) in India. Discuss the benefits and challenges associated with GST in the context of the Indian economy.	K2	CO3
4	19	Evaluate the importance of budget classification and coordination in government budgeting. How do these processes contribute to effective fiscal policy and economic management?	K6	CO4
5	20	Compare the Centre-State financial relations in India. How do constitutional provisions and the Finance Commission shape these relations? Discuss with reference to specific articles and recommendations.	K4	CO5

Z-Z-Z

END