

PSG COLLEGE OF ARTS & SCIENCE  
(AUTONOMOUS)

MA DEGREE EXAMINATION DECEMBER 2025  
(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 concept explains the additional cost imposed on society by a firm's production, which is not reflected in the market price? a) Marginal cost b) Externality c) Pareto Efficiency d) Utility	K1	CO1
	2	Which of the following is an example of a public good? a) National Defense b) A private car c) A subscription-based streaming service d) A restaurant meal	K2	CO1
2	3	The Wiseman-Peacock Hypothesis suggests that a) Public expenditure is constant over time b) Public expenditure increases in response to significant social and economic disruptions c) Public expenditure decreases with economic stability d) Public expenditure is inversely related to national income	K1	CO1
	4	Which of the following is NOT typically considered in the estimation of a discount rate for public investment projects? a) Opportunity cost of capital b) Inflation rate c) Time preference of money d) Social time preference rate	K2	CO1
3	5	Which of the following best describes the concept of tax incidence? a) The amount of tax collected by the government b) The legal obligation to pay a tax c) The distribution of the tax burden between buyers and sellers d) The process of filing tax returns	K1	CO1
	6	Which of the following is an advantage of the Goods and Services Tax (GST) a) It eliminates the need for indirect taxes b) It simplifies the tax structure by merging various indirect taxes into one c) It applies only to luxury goods d) It increases the tax burden on small businesses	K2	CO1
4	7	The burden of public debt refers to a) The immediate financial cost of repaying the debt b) The impact of debt on future generations in terms of higher taxes or reduced public services c) The administrative costs of managing the debt d) The economic growth stimulated by government borrowing	K1	CO1
	8	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	K2	CO1
5	9	Which of the following best describes vertical fiscal imbalance? a) A situation where states have more revenue than they need to fulfill their expenditure responsibilities b) A mismatch between the revenue-raising capacity and expenditure responsibilities of different levels of government c) An equal distribution of revenue between central and state governments d) The financial autonomy of local governments	K1	CO1
	10	Which constitutional provision primarily governs Centre-State financial relations in India? a) Article 112 b) Article 280 c) Article 343 d) Article 370	K2	CO1

Cont...

**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 concept of public goods and provide two examples.	K6	CO3
		(OR)		
	11.b.	Define and differentiate between merit goods and demerit goods.		
2	12.a.	Explain the concept and significance of public expenditure. How does it differ from private expenditure?	K2	CO2
		(OR)		
	12.b.	What is Social Cost-Benefit Analysis (SCBA)? Outline its importance in evaluating public investment projects.		
3	13.a.	Explain the concept of tax incidence. How does it differ between direct and indirect taxes?	K2	CO2
		(OR)		
	13.b.	Discuss the key principles behind the theory of optimal taxation.		
4	14.a.	What are the economic effects of public debt on a country's economy?	K6	CO5
		(OR)		
	14.b.	What role does deficit financing play in the economic development of developing countries?		
5	15.a.	What are the key functions and sources of revenue for local governments in India? Provide examples.	K6	CO5
		(OR)		
	15.b.	Briefly explain the constitutional provisions related to fiscal federalism in India.		

**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	Critically analyze the welfare foundations of public economics with a detailed discussion on fairness, efficiency, and the role of the state in promoting social welfare.	K4	CO1
2	17	Discuss the Pure Theory of Public Expenditure and its relevance to the allocation of resources in a mixed economy. How does it guide government decisions on spending?	K4	CO1
3	18	Discuss the various theories of taxation, including the ability-to-pay principle and the benefits-received principle.	K2	CO3
4	19	Discuss the objectives of fiscal policy and how it can be used to achieve economic stabilization.	K6	CO3
5	20	Evaluate the process of resource transfer from the Union to the states in India.	K4	CO4

Z-Z-Z

END