

Sub: Economics

16

QP Code : 73945

(2½ Hours)

[Total Marks : 75

- N.B. :** (1) All questions are Compulsory.
(2) Figures to the right indicate full marks
(3) Draw neat diagrams wherever necessary.

1. Attempt any two of the following : 15
(a) Define Public and private finance and explain dissimilarities between them.
(b) "When marginal social benefit is equal to marginal social sacrifice, Maximum Social Advantage is achieved". Explain.
(c) Explain meaning and characteristics of sound finance.
2. Attempt any two of the following : 15
(a) Explain how government derives revenue from various sources.
(b) State merits and demerits of direct taxes.
(c) Write a note on impact and incidence of taxation.
3. Attempt any two of the following : 15
(a) Discuss the classification of public expenditure.
(b) Define public debt and discuss the burden of external debt.
(c) Describe the important features of FRBM Act, 2003.
4. Attempt any two of the following : 15
(a) Explain the characteristics of Indian Money Market.
(b) Describe the money market reforms in India since 1991.
(c) What is capital market? Outline the role of capital market in economic development.
5. (a) State with reasons whether the following statements are true or false (Any four) 8
(i) Public finance always follows "the principle of economic rationality".
(ii) Say's law forms the base of sound finance.
(iii) Special assessment or betterment levy are tax imposed on all people.
(iv) A tax is said to be regressive when the burden falls heavily on high income earners.
(v) Public expenditure refers to the expenses incurred only by the central government.

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- (vi) Fiscal deficit is a more comprehensive measure of budgetary imbalance.
- (vii) Money market is a market for lending and borrowing of long term fund.
- (viii) In India SEBI is responsible for regulating capital market.

(b) Choose the correct answer and rewrite the statement (Any seven)

- (1) Public finance includes
 - (a) Public revenue and public expenditure
 - (b) Public debt and public administration
 - (c) Both a and b
 - (d) None of these
- (2) Maximum Social Advantage is achieved when
 - (a) Marginal Social Sacrifice = Marginal Social Benefit
 - (b) Total Social Sacrifice = Total Social Benefit
 - (c) Average Social Sacrifice = Average Social Benefit
 - (d) Social Sacrifice = Social Benefit
- (3) The concept of fiscal measures can be used to offset undesirable cyclical fluctuations was termed as
 - (a) Sound finance
 - (b) Functional finance
 - (c) Business finance
 - (d) Public finance
- (4) Fringe Benefit Tax is a tax levied on the
 - (a) Employees
 - (b) Employers
 - (c) Producer
 - (d) Consumer
- (5) Which is not a merit of direct tax
 - (a) Direct taxes are equitable
 - (b) Direct taxes are elastic
 - (c) Direct taxes are economical
 - (d) Direct taxes are difficult to evade
- (6) The process of transferring the money burden of the tax is called
 - (a) Impact
 - (b) Shifting
 - (c) Incidence
 - (d) Imposition
- (7) Government expenditure on interest payments are a part of -
 - (a) Development expenditure
 - (b) Non-development expenditure
 - (c) Capital expenditure
 - (d) None of the above
- (8) The budget where existing programmes and activities may not be automatically funded is
 - (a) Traditional budget
 - (b) Zero based budget
 - (c) Performance budget
 - (d) Functional budget

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- (9) Redemption of public debt means
(a) Refusal to pay debt (b) Reduce cost
(c) Reviewing structure of debt (d) Repayment of loan
- (10) Which of the following is the latest measure introduced by RBI to influence liquidity in the financial system ?
(a) LAF (Liquidity Adjustment Facility)
(b) Repo
(c) Reverse Repo
(d) MSF (Marginal Standing Facility)
- (11) Which of the following do not constitute the structure of capital market in India ?
(a) Merchant Banks (b) RBI
(c) Gilt edged market (d) Industrial securities market
- (12) NSE (National Stock Exchange) was set up in the year
(a) 1992 (b) 1994
(c) 1991 (d) 1993

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