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Reg. No. :

Code No. : 30643 E

Sub. Code : CMEC 62

B.A. (CBCS) DEGREE EXAMINATION, APRIL 2024

Sixth Semester

Economics – Core

PUBLIC FINANCE – II

(For those who joined in July 2021 – 2022 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Which of the following characteristics describes a public good?
 - (a) Rivalrous consumption
 - (b) Excludability
 - (c) Non-rivalrous consumption
 - (d) Limited availability

2. Which of the following is an example of a public good?
- (a) Bottled water
 - (b) Highway system
 - (c) Designer clothing
 - (d) Cable television
3. What is the primary purpose of a budget?
- (a) To track historical financial data
 - (b) To predict future financial outcomes
 - (c) To assess market trends
 - (d) To evaluate employee performance
4. Which of the following is NOT a type of budget?
- (a) Static
 - (b) Flexible
 - (c) Dynamic
 - (d) Zero-based
5. Which option indicates the fiscal policy?
- (a) A monetary policy tool used by central banks
 - (b) A strategy for controlling inflation
 - (c) A policy aimed at regulating international trade
 - (d) A government's use of taxation and spending

6. What is one of the primary objectives of fiscal policy?
- (a) Reducing income inequality
 - (b) Maximizing corporate profits
 - (c) Controlling population growth
 - (d) Promoting international trade
7. What best describes local bodies in governance?
- (a) National-level legislative bodies
 - (b) Regional organizations for international cooperation
 - (c) Government institutions at the local or municipal level
 - (d) Subsidiary units within a corporation
8. Which of the following is a key difference between state finance and local finance?
- (a) Local finance relies primarily on federal grants, while state finance relies on taxation
 - (b) State finance is managed by central government agencies, while local finance is managed by local authorities
 - (c) State finance is used for national defence, while local finance is used for public services within communities
 - (d) State finance has broader revenue sources, while local finance relies more on property taxes and user fees

9. What is the primary function of the Finance Commission in India?
- (a) Regulation of stock markets
 - (b) Allocation of funds for state governments
 - (c) Setting monetary policy
 - (d) Supervision of public sector undertakings
10. What is a significant recommendation made by the 15th Finance Commission in India?
- (a) Introduction of a wealth tax
 - (b) Establishment of a sovereign wealth fund
 - (c) Rationalization of centrally sponsored schemes
 - (d) Expansion of public sector undertakings

PART B — (5 × 5 = 25 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Define a public good with examples.

Or

- (b) Explain the free-rider problem in the context of public goods.

12. (a) Explain the meaning and importance of a budget.

Or

- (b) Construct the types of budgets used in organizations.

13. (a) Define fiscal policy and outline its main objectives.

Or

- (b) Explain the techniques used in fiscal policy implementation.

14. (a) Sketch the structure of local finance.

Or

- (b) Distinguish between state finance and local finance.

15. (a) What are the functions of the Finance Commission?

Or

- (b) Discuss the procedure and powers of the Finance Commission in India.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) "Public goods are considered non-excludable and non-rivalrous"- Elucidate.

Or

- (b) How does the free-rider problem lead to under-provision of public goods in a market economy?

17. (a) Explain the procedure involved in the budgeting process in organizations.

Or

- (b) Define performance budgeting and discuss its advantages and limitations.

18. (a) Discuss the concept of contra-cyclical fiscal policy and its role in economic stabilization.

Or

- (b) Describe the various techniques used in implementing fiscal policy.

19. (a) Elaborate the main sources of revenue for local bodies.

Or

- (b) Analyse the challenges faced by local bodies.

20. (a) Discuss the major recommendations of the 14th Commission of India.

Or

- (b) Provide an overview of the Finance Commission in India.
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