

2213/2018

DOON UNIVERSITY, DEHRADUN
Mid- Semester Examination, 2018
School of Social Sciences
Msc. Economics Integrated (Fourth semester)
Course Code: SSEI-221 Public Economics II

Time Allowed: 2 Hours

Maximum Marks: 30

Section A (Attempt all parts of this section)

(1*5=5 marks)

1. Marginal cost of the public goods is negative. Comment
2. Incidence of taxes on custom duty is possible to shift to the consumer? Comment
3. On the basis of principles or objective differentiate between a private finance & public finance.
4. In the context of imposition of taxes, explain the term spillover effects of taxation.
5. Explain income as the 'index of ability' in imposing taxation.

Section B (Attempt three questions)

(3*3=9 marks)

1. Comment on the following:
 - a) If the supply of a commodity is more elastic, the incidence of taxes is _____ (possible/not possible)
 - b) A good having less number of substitutes is _____ to transfer the incidence of taxes. (easy/difficult)
 - c) If the rate of tax is less the incidence of taxation is _____ to transfer. (possible/impossible)
2. With the help of diagram, explain the relationship between tax rate and tax revenue collected by the government.
3. In Musgrave's opinion, it is the duty of the government to rectify market failures which summarizes government's role into few functionaries. Explain.
4. Which set of theory justifies the features of taxation in true sense?

Section C (Attempt any Two questions)

(2*8=16 marks)

1. Briefly explain how the theories of Incidence of Tax shifting do differ from each other. With the help of diagrams explain the incidence of taxation falling on buyer or seller in the following cases-
 - a) When demand and supply are elastic
 - b) When Supply is perfectly elastic whereas demand is elastic.
 - c) Mr. Kumar earned Rs.4,55,000 p.a in year 2008 where the rate of tax was 10%. In year, 2009 the rate of tax increased by 5% and his income rose by Rs.45,000. Calculate the elasticity of taxes.
2. Identifying the violation of cannon (If any), explain each of the following-
 - a) In year 2005, the base of taxes laid on a single source i.e, poll tax. The fiscal activities of the government for that year faced a deficit.
 - b) In year 2006, the government changed the policy due to which the receipts increased by 15%, tax rates remaining same.
 - c) In the next year, the taxes received by Mr.A, Mr. B and Mr.C were Rs 2,000, Rs.4,000 and Rs.10,000 respectively. Tax rate charged @ 10% on their individual incomes.
 - d) In spite of facing deficit in point (a) the government could not revise the tax slabs.
3. On one hand, the general belief is that there need not be any relation between tax paid and benefits received from State whereas the contrary belief argues that there lies a link between the tax paid and state activities. In this context, explain the two set of theories and justify the above assumptions.