

30-3-2016

DOON UNIVERSITY, DEHRADUN

Mid-Semester Examination, 2016

School of Social Sciences

Msc.Economics Integrated (Fourth Semester)

Course Code: SSEI-210: Public Economics II

Time Allowed: 2 Hours

Maximum Marks:30

Note: attempt all questions from sections A & section B & any two questions from section C

All the best☺

Section A Match the following:

(1*5= 5 marks)

| Table A | Table B |
|---|------------------------------|
| 1.Taxes on basis of capacity of Taxpayers | Charles Mill |
| 2.Theory of balanced budget | Musgrave & Musgrave |
| 3.Voting with fleet | Hugh Dalton |
| 4.Allocative, distribution & stabilization function | Erik Lindahl |
| 5. Taxes not always a burden for the society | Adam Smith, J.S. Mill, et.al |

Section B Attempt all questions.

(3+3+4=10 marks)

1. a) The GOI in the present budget declares income tax @ 15% to be charged on the income holders. Comment on its violation of the specific 'canon'. Explain
 b) The proposed expenditure for the upcoming year is 2.8 Crores. According to the principle of productivity & diversity, what should be the nature of revenue generated?
 c) Assuming the tax coverage remaining constant, Mr. Sharma was liable to pay Rs. 2,500 more than the taxes which he paid last year. What do you think why is this rise in taxes would have occurred? Giving an arbitrary example justify.

2. a) Distinguish between 'market principle' & 'principle of economic rationality'.
 b) How can you distinguish a public receipt from public revenue?
 c) What is the basic difference between 'economic effect' & 'arithmetic effect' under Laffer's curve.

3. Highlight the relationship between
 a) 'Absolute taxable capacity' & 'relative taxable capacity'
 b) 'Ideal taxation' & 'Optimal taxation'

Section C Attempt any two questions.

(2*10=20marks)

1. For any State, it is imperative that the decisions which it takes includes thoughtful planning and should deliver the maximum social advantage to the society. On the assumption, that the state is an extraneous variable, critically examine the principle that aims at discovering the criteria for determining the optimum size of the budget.

2. **“A good tax system is which tries to achieve the principle of productivity, principle of diversity, principle of economy, etc.”** However, theoretical understanding is far behind the ground reality. On the basis of the above statements, throw some light, comparing the fact what ought to be & what it is in the Indian taxation system.
3. **“Tax is a compulsory payment, following the feature of no *QUID-PRO-QUO*”.** Relating to the above statement, there are several theories which explains the impact & the incidence of taxation and how the state activities are related to the taxpayers of the society. Explain the theory which justifies the above statement and criticizes the concept of balanced budget.