

30/12/2016

**DOON UNIVERSITY, DEHRADUN**  
**Final Semester Examination, 2016**  
**School of Social Sciences**  
**Msc.Economics Integrated (Fourth semester)**  
**Course Code: SSEI-221 Public Economics II**

*Time Allowed: 3 Hours*

*Maximum Marks: 50*

*Note: Attempt As per instructions:*

**Section A (Attempt all parts of this section)**

**(2\*5=10 marks)**

1. Mr. Bharat earns around 30,000 per month. For the financial year 2001-2002, after deductions & premium installments, 3,10,000 p.a was his disposable income. When would you think he would file the return for the taxes that was not liable in the period. Discuss in terms of assessment year & financial year.
2. If the government wants to raise the taxable source of revenue, which of the taxes do you think can be increased easily & why?
3. If the commodity's demand increases from 3000 units to 8000 units due to the price fall from Rs.500 to Rs.300, what would be the impact on shifting of incidence of taxes? Whom do you think would bear larger share of tax & why? (Show the working)
4. What happens to the direction of the Gini coefficient when a regressive transfer takes place? Explain with reason.
5. Given the fact that a country owes its internal public debt to itself, then, in what manner can it be regarded as a burden upon it?

**Section B**

**(8+6+6= 20 Marks)**

**(Question no 1 is Compulsory and do any two questions from Ques- 2,3&4)**

1. A) If the commodity's demand increases from 3000 units to 8000 units due to the price fall from Rs.500 to Rs.300, what would be the impact on shifting of incidence of taxes? Whom do you think would bear larger share of tax & why? (Show the working)  
B) When the alcohol production has to be reduced, the government increases the tax rates on such production. On the other hand, the company increases their prices. Comment on the forward & the backward shifting of taxes in the example.  
C) X commodity has a close substitute Y, the taxes on the X commodity rises due to which the producer increases the price as well. Do you think the producer is able to increase the price of commodity. If yes to what extent? If no Why is not possible? Explain in context of incidence & impact of taxes.  
D) In the case of Gift tax & Inheritance taxes, who bears the incidence & impact of taxes?
2. Though Effects of taxes are always considered as producing externalities whether positive or negative, but the effect on supply of resources is given great importance. Why?
3. Comment on the Wagner's law & Wiseman Peacock Hypothesis in detail.

4. Suppose there are five people 1,2,3,4 & 5 who rank projects A, B, C and D as follows:

1	2	3	4	5
A	A	D	C	B
D	C	B	B	C
C	B	C	D	D
B	D	A	A	A

On the basis of the rule of community preferences, which amongst the four projects will be chosen and why?

**Section C (Long answer type questions. Attempt any two questions)**

**(2\* 10=20 marks)**

1. In the fiscal year 2013-2014, the revenue generated through all sources is Rs. 8.2 Crores. The proposed expenditure is Rs. 6.8 Crores. In spite of the government enjoying surplus, government is planning to raise debt.
  - a) Do you think it is a rational decision on government's part?
  - b) If so, what are the sources available in front of the government?
  - c) What are the probable ways why which government will repay the debt?
2. A State under the influence of laissez faire philosophy, is expected to have a neutral tax policy. Such a policy is also termed as 'general fiscal rationality'. How far do you agree with the Statement. Justify your answer.
3. Based upon the canons of public expenditure, justify how expenditure as a weapon can be used against economic instability.  
**(Only Canon of Economy, Sanction, Benefit & Surplus to be explained)**