(1)

Synoptic answers

SYBCOM- Business Economics - Semester - IV – 2017-18

Date: 21/12/2018

N.B. Maximum Marks: 100 Q.P. Code: 32643

i. The synoptic answers given below are guidelines provided so as to maintain uniformity and consistency in assessment of answers.
ii. Due credit should be given to candidates who provide neat diagrams and explanation.

1. A. Define the following concepts: Any Five (Two marks each)

i. Distribution function aims at distribution of national income in a fair and just manner through the budgetary process.
ii. Economic efficiency implies getting maximum benefits from scarce resources.
iii. Tax base is the minimum income or value of assets which is treated as a base for levying tax.
iv. Progressive tax rate - tax rate increases with increase in i~~ncome~~. tax base
v. Redeemable debt - debt which the government promises to pay off at some future date.
vi. Fiscal solvency - implies government's possession of assets in excess of its liabilities and its ability to meet debt obligations.
vii. Unbalanced budget - revenues and expenditures are not equal-either revenue is greater than expenditure-surplus budget or expenditure exceeds revenue-surplus budget.
viii. Fiscal deficit= (Total Expenditure) - (Revenue Receipts + Non-borrowing capitai receipts).

B. Choose the right answer: (one mark each)

i. (b)
ii. (a)
iii. (a)
iv. (b)
v. (b)
vi. (c)
vii. (b)
viii. (d)
ix. (a)
x. (d)

2. Answer any two of the following: 20

a) Meaning of public finance – concerned with income and expenditure of public authorities. Method by which government bodies provide for collective satisfaction of wants.

Scope of public finance – public revenue, pulic expenditure and financial administration.

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b) Dalton's principle of Maximum social Advantage – assumptions, diagrams and explanation of MSS, increasing MSS, MSB, diminishing MSB and the point of maximum social advantage.

c) Features of public goods – non-excludable, non-rival, free rider problem.
Role of the government in providing public goods – legal framework, promotion of competition, corrects the effects of externalities, controls price and output, checks the growth of monopolies, nationalisation of public utilities, economic stability, etc.

3. Answer any two of the following: 20

a) Canons of taxation – canon of equity, certainty, economy, convenience, productivity, elasticity, flexibility, simplicity, diversity, expediency and coordination.

b) Diagrammatic explanation of sharing of the tax burden between sellers and buyers under different demand and supply elasticity~~'s~~ies such as $Ed=\infty$, $Ed>1$, $Ed<1$, $Ed=0$. $Es=\infty$, $Es>1$, $Es<1$, $Es=0$.

c) Effects of taxation on consumption, ability to work save and invest, willingness to work save and invest and allocation of resources.

4. Answer any two of the following: 20

a) Classification of public expenditure – capital and revenue, productive and unproductive, transfer and non-transfer.

b) Causes of growth in public expenditure – welfare state, increase in national income and per capita income, growth of population, urbanisation, inflation, expansion of state activities, servicing of public debt, subsidies and democratic institutions.

c) Burden of debt – direct and indirect money and real burden, ability and desire to work save and invest, unproductive debt, foreign currency burden.

5. Answer any two of the following: 20

a. Principles of functional finance – market failure, government intervention to regulate the economy, importance of fiscal policy, budget deficits justified, aggregate demand necessary to stimulate the economy, welfare capitalism.

b. Types of budget – balanced and unbalanced, revenue and capital, performance and programme, legislative and executive.

c. Key issues in fiscal federalism and fiscal decentralisation – division of responsibilities and resources, financial imbalance, revenue sharing, expenditure sharing, cess and surcharges, grants-in-aid and loans.