

I

SY BCOM (Sem IV) (CBSGS)

BUSINESS ECONOMICS – IV

MARKS: 100

The synoptic answers given below are only the guidelines to maintain uniformity and consistency in the assessment of answer books. Due credit should be given to candidates who make use of diagrams, tables, and references to current issues in their answers.

Q1. A. Explain Concepts (05)

[10 mks]

- 1) Allocation Function: Refers to adjustment in the allocation of resources for public and private goods and services.
- 2) Production Efficiency: Maximum no. of goods and services are produced with a given amount of inputs.
- 3) Progressive Tax Rate: rate of tax increases with tax base.
- 4) Direct Tax: Imposed on income and wealth, whose tax burden cannot be shifted.
- 5) Canon of Sanction: That no public expenditure should be made without the approval of proper authority.
- 6) Tax Tolerance: Stated by Wiseman-Peacock, people's capacity to bear tax burden with an increase in public expenditure.
- 7) Revenue Budget: items recurring in nature include revenue expenditures and receipts.
- 8) Functional Finance: Developed by A.P. Lerner, fiscal measures judged by their effects.

Q1. B. MCQs

[10 mks]

- 1) (a) Marginal social sacrifice
- 2) (c) $MSS=MSB$
- 3) (b) Elastic
- 4) (b) Tax for specific benefits
- 5) (b) Indirect taxes
- 6) (c) Income inequality
- 7) (c) Public expenditure
- 8) (a) Balanced budget
- 9) (b) Revenue and expenditure assignment
- 10) (b) Interest payments

Q2.

[20 mks]

- A) Meaning, Definitions, scope- pub rev, pub exp, pub debt, financial administration
- B) Dalton's principle of MSA, assumptions, MSS, MSB, optimum budget, diagram.
- C) Regulation of natural monopolies, redistribution of income, property rights, eco stability, pollution permit, perfect information, etc.

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Q3. [20 mks]

- A) 1. Pub rev = tax rev + non-tax rev. 2. Tax rev = direct tax rev + indirect tax rev. 3. Non-tax rev = Fees + Fines.....
- B) 1. $E_d = \text{infinity}$, $E_d > 1$, $E_d < 1$, $E_d = 0$ } tax burden on consumer
2. $E_d = \text{infinity}$, $E_d > 1$, $E_d < 1$, $E_d = 0$ } and seller diagrams
- C) Effects of taxation- on production, allocation of resources, consumption, income distribution, etc.

Q4. [20 mks]

- A) Rev, cap, productive, unproductive, transfer, non-transfer, plan, non-plan, etc. Hick's, Dalton, etc.
- B) MNREGA, SSY, PMJDY, PPF, NSC, APY, PMJJBY, etc.
- C) Burden of internal and external debt.

Internal debt- inequality ↓ Pvt Inv, burdens of unproductive debt ↓ Money supply, ↑ i,
↓ output, etc.

External debt- Direct money burden, indirect money burden, direct real burden, indirect real burden.

Q5. [20 mks]

- A) Rev deficit, budgetary deficit, fiscal deficit, primary deficit, monetised deficit, effective rev deficit.
- B) Say's law, full emp, invisible hands, taxation, pub exp, balanced budget, etc.
- C) Rev deficit, fiscal deficit, ceiling on guarantee, borrowing from RBI, MT fiscal policy, transparency, etc.