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Register Number:

**DATE: 12-04-2019**

**ST. JOSEPH’S COLLEGE (AUTONOMOUS), BANGALORE-27**

**BSc. ECONOMICS – VI SEMESTER**

**SEMESTER EXAMINATION: APRIL 2019**

**ECS 6318: Public Finance**

**Time- 2 ½ hrs Max Marks-70**

**This paper contains ONE printed page and THREE parts**

 **PART A Answer any TEN of the following 3 X10=30**

1. State the first and second fundamental theorem of welfare economics.
2. What are the sources of market failure?
3. Distinguish between positive externalities and negative externalities with appropriate examples.
4. State and explain at least two indices used for measuring competition in a market.
5. Differentiate between private good and public good. Give suitable example.
6. Explain the difference between equal absolute sacrifice and equal proportional sacrifice.
7. What is the difference between horizontal and vertical equity? Explain.
8. State one merit and one demerit of direct tax and indirect tax.
9. State and explain the Peacock Wiseman hypothesis.
10. Explain the difference between primary deficit and fiscal deficit.
11. Give the meaning of the term *zero base budgeting*.
12. What is FRBM Act?

**PART B Answer any TWO of the following 5x 2=10**

1. Discuss the Tiebout model.
2. Write a short note on impact, incidence and shifting of taxation.
3. Discuss Fiscal Federalism in the Indian context.

**PART C Answer any TWO of the following 15 X2=30**

1. Suppose that both chemical and eyeglass industries in a city are perfectly competitive. Chemical production raises the marginal cost of eye glass in the sense that smoke from the chemical industry leaves particles on equipment used for making eyeglass and these particles are required to be removed.
2. Demonstrate graphically how market forces misallocate resources.
3. Explain how relocation might be brought about by a tax on chemical production.
4. Critically examine the various principles of taxation.
5. What is public debt? Explain the effects of public debt in an economy.

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