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

Register Number:

Date:05-03-2022

**M.Com – III SEMESTER**

**SEMESTER EXAMINATION: OCTOBER 2021**

**(Examination conducted in March 2022)**

**MCO 9120: Public Finance**

**Time: 2 ½ Hours Max Marks: 70**

**This paper contains two printed pages and four parts**

**Section A**

**I Answer any ten of the following (10 X 2 = 20 marks)**

1. Differentiate mixed goods and merit goods
2. What is public finance?
3. State Wagner’s hypothesis
4. Define public expenditure
5. Identify two differences between direct and indirect taxes
6. What is counter-cyclical fiscal policy?
7. Give the meaning of current account deficit
8. What is stagnation?
9. Define budgetary control
10. Give two examples of non-developmental expenditure
11. Define finance bill
12. When is the annual budget of the Republic of India presented? Who presented the union budget 2020-21?

**Section B**

**II Answer any three of the following (3 x 5 = 15 marks)**

1. Briefly explain the role of finance commission in federal set up
2. Analyse canons of public expenditure
3. Enlist the advantages and disadvantages of direct and indirect taxes
4. Give an account of types of public debts
5. Briefly explain the reasons for fiscal deficit

**Section C**

**III Answer any two of the following** (**2 x 10 = 20 marks)**

1. Elucidate role of public expenditure in economic development
2. Discuss various components of union budget
3. Explain the non-tax revenues of the government

**Section D**

**IV** **Compulsory Question (1 X 15 = 15 marks)**

**A tale of two economic ‘mis’adventures**

Both Demonetization and GST implementation are the government's largest economic salvos to date, and both have been marred by poor planning and execution. On November 8th, 86 percent of India's currency was nullified in an effort to purge "black money" and "counterfeit notes"; this effort resulted in a massive disruption to the world's second largest emerging market's existing social, political, and economic functions. The Indian economy came to a halt after 86 percent of the existing cash in circulation was demonetized. Trade in all sectors of the economy was disrupted, and cash-intensive industries such as agriculture, fishing, and the vast informal market were virtually shut down. Many businesses and livelihoods were destroyed, not to mention the economic impact on the country when millions of productive people spent hours and hours standing in line to exchange or deposit cancelled banknotes, rather than working or running their businesses. According to the RBI, demonetization failed to reduce black money because 99 percent of the withdrawn 500- and 1000-rupee notes were returned.

Economists point out that, while the decision to demonetize was flawed from the start, the GST regime could have worked better. It aimed to fix existing flaws and make doing business easier. Better planning, both at the formulation and implementation stages, was what it lacked. GST, which absorbed almost all indirect taxes, aimed to reduce the tax burden for businesses operating across multiple states, which previously had individual and complex tax systems. This was estimated to save businesses a significant amount of money in compliance costs. In addition, businesses were confronted with an entirely new animal. There was a plethora of forms to complete and file. Smaller businesses, in particular, lacked the resources to deal with the extra paperwork and legalities. There were only four tax brackets, but the distinction between them was frequently ambiguous. The GST Network, the tax system's IT backbone, had many flaws in its early days. When the eWay bill for inter- and intra-state transportation of goods was introduced, it added a new set of tasks to be completed. While GST was widely praised as a good economic policy, the multiple rates, anomalies, and complex procedures involved have severely harmed business confidence, production, and exports. Both demonetization and GST appear to be ill-conceived ideas that have harmed the Indian economy.

**Questions:**

1. Analyze the Impact of GST and Demonetization on Indian Economy [10M]
2. What is tax administration? Identify the reasons for inefficient implementation of GST [5M]