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

DATE:26-6-19

**Special Supplementary Examination, JUNE 2019**

**B.Sc. ECONOMICS-VI SEMESTER**

**ECS 6318 : Public Finance**

### Duration: 2.5 Hrs Max Marks: 70

**This question paper has TWO printed page and THREE parts**

Supplementary candidates only.

**PART A: Answer any TEN of the following questions 10x3=30**

1. What are club goods?
2. Describe the Tiebout Hypothesis.
3. What does Herfindal-Hirschman Index (HHI) measure? Calculate HHI if an industry has four firms, each with a market share of 25%.
4. Explain the principle of Maximum Social Advantage with a suitable diagram.
5. Graphically illustrate impact of profit tax on a monopolist.
6. Describe Wiseman-Peacock Hypothesis.
7. Give three reasons why indirect taxes may be more suitable for a developing country.
8. Why is it that a commodity tax on goods like food and shelter is sometimes considered regressive?
9. Mention the important sources of public borrowing for Government of India
10. Distinguish between current account and capital account in a budget.
11. State any three merits of zero based budgeting technique..
12. What is fiscal federalism?

**PART B: Answer any TWO of the following questions 2x5=10**

1. The private marginal benefit for commodity X is given by 15 - X, where X is the number of units consumed. The private marginal cost of producing X is constant at 10 while social marginal cost is 10+X. In the absence of any government intervention, how much X is produced? And what is the socially optimal level of X?
2. Describe how Coasian process will generate optimal production regardless of ownership of the property right to pollute. Are there any equity concerns? Explain your answer with example.
3. Write a note on budgeting in India.

**PART C: Answer any TWO of the following questions 2x15=30**

1. Prove that Lindhal model of public good provision is Pareto efficient.
2. Discuss how externalities cause market failure. Describe a potential tax-based solution to the externality problem.
   1. Explain the two theories of taxation. Discuss the effect of taxation on the production, distribution and consumption.
   2. Suppose that the demand curve for rice can be characterized by the equation P = 100 - 2Q where P is price and Q is quantity. Suppose further that price was Rs.10.00 and a Rs.10.00 tax is imposed on the market. Calculate the excess burden created by the tax.