

# Multiple Choice Questions

EC010203 Public Economics

Second Semester PG Private

1. If interest payments are subtracted from gross fiscal deficit, the remainder will be

- (A) revenue deficit
- (B) gross primary deficit
- (C) capital deficit

2. Concepts of displacement and concentration effect in public expenditure are attributed to

- a. A.C. Pigou and J.K. Mehta
- b. Alan T. Peacock and Jack Wiseman
- c. Kenneth Arrow and Paul A. Samuelson

Codes :

- (A) a and b
- (B) b
- (C) a, b, c

3. State the order of the appointment of the following as chairman of Finance Commission :

- a. K.C. Neogy
- b. K. Brahamanand Reddy
- c. N.K.P. Salve
- d. A.K. Chanda

Codes :

- (A) a, c, b, d
- (B) a, d, b, c
- (C) a, c, d, b

4. Indicate the sequence of the following in terms of the implementation.

- a. Income Tax
- b. Expenditure Tax
- c. Value Added Tax
- d. Fringe Benefits Tax

Codes :

- (A) a, c, b, d
- (B) a, b, c, d
- (C) c, d, a, b

5. The most important characteristics of a federation is
- (A) Center's Supremacy over States
  - (B) Non-correspondence between the functions and resources of the Center and State Governments.
  - (C) Perfect match between the functions and resources of the Central and State Governments.
6. The Chairman of the 11<sup>th</sup> Finance Commission of India was:
- A) A M Khusro
  - B) K C Pant
  - C) Jaswant Singh
7. Of the total revenue of the Union government, the indirect taxes account for nearly:
- A) 70%
  - B) 75%
  - C) 80%
8. The Finance Commission is appointed every:
- A) 3 years
  - B) 5 years
  - C) 6 years
9. In India the principal source of revenue is
- A) Taxes and loans
  - B) Grants from other countries
  - C) Gains from government companies
10. Fiscal policy refers to the policy of:
- A) Commercial banks
  - B) Government finance
  - C) Money authority
11. The Centre transfers resources to States through the following sources:
- A) Discretionary grants
  - B) Finance Commission
  - C) All of the above
12. Fiscal policy is related to:
- A) Public revenue and expenditure
  - B) Exports and imports
  - C) Issues and circulation of currencies

13. Which type of deficit leads to increase in money supply

- A) Revenue deficit
- B) Budgetary deficit
- C) Capital deficit

14. Public debts raised for war activities are called:

- A) Unproductive
- B) Productive
- C) Short-term

15. A budget is a summary of:

- A) Revenue and expenditure
- B) Income redistribution
- C) Resource reallocation

16. Public debts are necessary these days because of circumstances leading to:

- A) Unforeseen emergencies
- B) Economic development and growth
- C) All of the above

17. Ability to pay tax envisages that each individual should pay tax according to their:

- A) Ability
- B) Willingness
- C) Desire

18. The problem relating to burden of public debt has been dealt by

- I. A.P. Learner
- II. E.D. Domar
- III. A.C. Pigou
- IV. A.H. Henson

Codes :

- (A) I and II are correct.
- (B) II and III are correct.
- (C) I and IV are correct.

19. Fiscal policy relates to the Government decision in respect of

- I. Taxation
- II. Government spending
- III. Government borrowing
- IV. Public Debt

Codes :

- (A) III and IV are correct.

- (B) II, III and IV are correct.
- (C) All the above are correct.

20. The distribution of the burden of paying a tax is called

- (A) Sharing of tax burden
- (B) Shifting of the tax
- (C) Incidence of a tax

21. Index of Ability to Pay

- A) Property
- B) Income
- C) All the above

22. Diffusion theory was propounded by

- A) Adam Smith
- B) N F Canard
- C) Samuelson

23. Reasons for the increase volume of expenditure

- A) Welfare states
- B) Defence needs
- C) All the above

24. Theories of Public expenditure are:

- A) Pigous theory
- B) Lindahl
- C) All the above

25. Critical –limit hypothesis developed by:

- A) Adam Smith
- B) Colin-Clark
- C) Samuelson

26. Which of the following year of the 11th Five Year Plan registered the highest GDP growth rate?

- (A) 2007-08
- (B) 2008-09
- (C) 2009-10

27. Grants from the Centre to the States under the recommendations of Finance Commission are known as

- (A) Plan grants
- (B) Development assistance
- (C) Statutory grants

28. According to Peacock and Wiseman's analysis, public expenditure increases

- (A) in smooth and continuous manner
- (B) as time passes
- (C) in jerks or step like fashion

29. Which one of the following debt redemption method is a process by which maturing debts are replaced by new bonds and there is no liquidation of the money burden of debt ?

- (A) Repudiation
- (B) Refunding
- (C) Conversion

30. Which one of the following is not reserved for public sector?

- (A) Atomic energy
- (B) Railways
- (C) Insurance

31. In India, Five Year Plan is formulated by

- (A) C.S.O.
- (B) Planning Commission
- (C) Planning Ministry

32. What is the formula for tax devolution used by the Thirteenth Finance Commission of India?

Formula:	Population (%) (1971)	Area (%)	Fiscal capacity distance (%)	Fiscal Discipline
(A)	25.0	17.5	10.0	47.5
(B)	10.0	25.0	47.5	17.5
(C)	25.0	10.0	47.5	17.5
(D)	17.5	10.0	25.0	47.5

33. The incidence of tax refers to:

- A) Growth of taxation
- B) The way in which tax is collected
- C) who pays the tax ultimately

34. Of all the commercial taxes, the major source of revenue for the state government is:

- A) Duties on electricity

- B) Sales tax
- C) Entertainment

35. Peacock-Wiseman hypothesis supports in a much stronger manner the possibility of:

- A) An upward trend in public expenditure
- B) A downward trend in public expenditure
- C) A constancy of public expenditure

36. Public debt implies loans raised by a government:

- A) within the country
- B) outside the country
- C) within and outside the country

37. Central assistance for states and union territories is a part of:

- A) Revenue expenditure
- B) Non-plan expenditure
- C) Plan expenditure

38. Fiscal deficit in the Union budget means:

- A) the difference between current expenditure and current revenue
- B) the sum of monetized deficit and budgetary deficit
- C) The sum of budgetary deficit and net increase in internal and external borrowings.

39. The Centre gives grants-in-aid to states to:

- A) ensure balanced and quick economic growth throughout the country
- B) ensure social justice in India
- C) augment the financial resources of the States

40. Grants in aid given by the Centre to the states is meant:

- A) for boosting agriculture in the State
- B) for flood control
- C) to cover the gaps in revenue accounts

41. Fiscal deficit is defined as:

- A) Total expenditure- Total receipts
- B) Total expenditure- Revenue receipts- Capital receipts
- C) Fiscal deficit- interest payment

42. State the name of the Chairman of the Tenth Finance Commission:

- A) Manmohan Singh
- B) K C Pant
- C) S B Chavan

43. The tenth Finance commission has recommended that the States share of total income tax collection may be kept at:

- A) 75%
- B) 77.5%
- C) 80%

44. Vertical equity means

- A) unequal treatment of unequals
- B) equal treatment of equals
- C) no fair treatment

45. Horizontal equity refers to:

- A) equal treatment of equals
- B) unequal treatment of unequals
- C) no fair treatment

46. Public expenditure can be classified in to:

- A) Expenditure on Revenue account
- B) Expenditure on Capital account
- C) Both a and b

47. Initial burden of tax means

- A) Impact
- B) Incidence
- C) None of these

48. Final burden of tax means

- A) Impact
- B) Incidence
- C) None of these

49. Theories of tax includes

- A) Ability to pay
- B) Benefit principle
- C) All the above

50. Theories of public expenditure includes

- A) Colin Clark theory
- B) Peacock-Wiseman hypothesis
- C) All the above

51. Tax reforms includes

- A) Kelkar committee
- B) Smith Committee

C) Rai Committee

52. Tax reforms includes

- A) Kelkar committee
- B) Chelliah committee
- C) All of these

53. Chelliah committee includes

- A) 5 reports
- B) 10 reports
- C) 3 reports

54. FRBM means

- A) Financial Responsibility and Budget Management
- B) Fiscal Responsibility and Budget Management
- C) Financial Responsibility and Balanced Money

55. The objective of FRBM Act includes

- A) Fiscal deficit should be 3%
- B) Revenue deficit just below 2%
- C) All of these

56. Decentralisation means

- A) transfer of powers from Centre to state
- B) Centralisation
- C) None of these

57. Components of Fiscal decentralization

- A) Expenditure sharing
- B) Tax sharing
- C) All of these

58. Diffusion theory was developed by

- A) Alfred Marshall
- B) N F Canard
- C) Samuelson

59. N F Canard developed which theory

- A) Concentration theory
- B) Diffusion theory
- C) None of these

60. Unequal treatment of unequals is called

- A) Vertical equity
- B) Horizontal equity
- C) None of these

62. What is the main aim of tax

- A) Raising public revenue
- B) Increase in production
- C) None of these

63. Education is an example of

- A) Public good
- B) Merit good
- C) Club good

64. The equity principle of tax developed by

- A) Adam Smith
- B) Dalton
- C) J B Say

65. A budget where there is excess of expenditure over revenue is called

- A) Deficit
- B) Surplus
- C) Balanced

66. Salaries and pensions paid by governments are called

- A) Capital expenditure
- B) revenue expenditure
- C) None of these

67. The finance commission of India was appointed by

- A) Prime minister
- B) President
- C) All the above

68. Service tax in India was introduced in India in

- A) 1994-95
- B) 2000-01
- C) 1947-48

69. The principle of judging fiscal measures by the way they work is known as

- A) Functional Finance
- B) Local Finance
- C) Personal Finance

70. Which tax cannot be shifted to others

- A) Income tax
- B) Excise duty
- C) Sales tax

71. The maximum effect on Direct tax is on

- A) Income
- B) Price of goods
- C) All of these

72. Repudiation means

- A) refusal to repay the debt
- B) Converting debt
- C) None of these

73. Refusal to repay the debt is called

- A) Repudiation
- B) Sinking fund
- C) Capital levy

74. Escheat is an example of

- A) Direct tax
- B) Non tax revenue
- C) Indirect tax

75. Example for Non tax revenue

- A) Escheat
- B) Public borrowing
- C) All these

76. Existence of centre to state economic inequalities is known as

- A) Vertical imbalance
- B) Horizontal imbalance
- C) None

77. Merits of Direct tax

- A) Economical
- B) Certain
- C) All of these

78. Demerits of Direct tax

- A) Very inconvenient

- B) Evasion
- C) All these

79. Merits of indirect tax

- A) convenient
- B) No evasion
- C) All these

80. Demerits of indirect tax

- A) Uncertain
- B) Inequitable
- C) All these

81. Methods of achieving vertical equity

- A) Tax sharing
- B) Tax credit
- C) All these

82. Number of subjects in the concurrent list

- A) 47
- B) 5
- C) 0

83. Criteria for the distribution of income tax and union excise duties to states

- A) Population
- B) Income
- C) All

84. The first Finance Commission was constituted in

- A) 1951
- B) 1961
- C) 1971

85. The Indian constitution has the provision for setting up a finance commission in

- A) Article 280
- B) Article 230
- C) None

86. The constitution of India came into force on

- A) 1950
- B) 1960
- C) 1970

87. A type of public debt

- A) Productive
- B) Voluntary
- C) All

88. A definite date of repayment will be there for

- A) Irredeemable debt
- B) Redeemable debt
- C) Productive debt

89. Loans taken for financing railways, irrigation are called

- A) Unproductive
- B) Productive
- C) Voluntary

90. Canon of sanction is in

- A) Tax
- B) Expenditure
- C) None

91. Two types of shifting

- A) Single point
- B) Multi point
- C) Both a and b

92. If a producer transfers the burden of a tax on his product directly to the customer in the form of higher prices is called

- A) Single point shifting
- B) multi point shifting
- C) None

93. According to Peacock and Wiseman's analysis, public expenditure increases

- (A) in smooth and continuous manner
- (B) in jerks or step like fashion
- (C) as time passes

94. Chelliah committee report consists of

- A) Interim report
- B) Final report
- C) All

95. The taxable capacity of a person can be measured in terms of

- A) Wealth
- B) Income

C) All

96. Equality in taxation refers to

- A) equality in sacrifice
- B) equality in income
- C) None

97. A combination of progressive and propotional tax

- A) Degressive tax
- B) Regressive tax
- C) None

98. Examples of Non tax revenue

- A) Gifts and grants
- B) Special assessment
- C) All

99. Quid pro quo means

- A) direct benefit
- B) direct control
- C) direct tax

100. The Chairman of the 13<sup>th</sup> Finance Commission of India was:

- A) Vijay Kelkar
- B) K C Pant
- C) Jaswant Singh

# **Multiple Choice Questions Answer Key**

**Public Economics-EC010203**

**Second Semester PG Private**

- 1. B**
- 2. B**
- 3. B**
- 4. C**
- 5. B**
- 6. A**
- 7. C**
- 8. B**
- 9. A**
- 10. B**
- 11. C**
- 12. A**
- 13. B**
- 14. A**
- 15. A**
- 16. C**
- 17. A**
- 18. A**
- 19. C**
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