UNIVERSITY OF PETROLEUM AND ENERGY STUDIES

End Semester Examination – May, 2018

Program/course: Masters/ Energy Economics (MEE)	**Semester – II**
Subject: Public Finance	**Max. Marks : 100**
Code : ECON 7011	**Duration : 3 Hrs**
No. of page/s: 3	

Section-A [20 Marks]

All the questions carry equal marks

1. Write two characteristics of Public Goods.
2. In which year, the term "Effective Revenue Deficit" was introduced in the budget?
3. Which of the following deficits indicate Fiscal Deficits-Interest Payments?
   (a) Revenue deficit
   (b) Capital deficit
   (c) Primary deficit
   (d) None of the above

4. Cascading effect will be higher
   (a) Commodity taxes
   (b) Value added tax
   (c) Union excise duty
   (d) All of the above
6. The proposed GST bill will subsume:
   (a) Entertainment tax
   (b) Value added tax
   (c) Union excise duty
   (d) All of the above
7. Write two objectives of public policy targets.

8. Fiscal deficit for the year 2018-19 is _____.

9. Public goods are same as publicly provided goods (True or False).

10. Write examples of Pure Public goods.

Section-B 4×5 = 20

Answer any four

1. What are the short-comings of the present tax structure which lead to Goods and Services Tax (GST)

2. Explain the need and theoretical basis for the Fiscal Responsibility and Budgetary Management Act in India.
3. What are the tax regime conditions that lead to international double taxation of corporate profits?
4. Explain different type of deficits, which is used in budget documents?
5. Do you agree the tax rate under GST will be less than other commodity taxes? Explain

Section-C   2×15 = 30

Answer any two

6. Are the following policies conduct for efficiency or equity motives:
    a. Provision of old age pension to BPL family?
    b. Provision of Mid-day meal schemes by Govt. of India?
    c. Provision of higher education?
    d. Provision of retirement pensions?
    e. Prohibiting smoking in public places?

7. Consider an economy with two goods and two consumers with preferences
$U^h = \min\{x_1^h, x_2^h\}, h = 1, 2.$

Assume that the endowments are as follows:

	Good 1	Good 2
Consumer 1	1	2
Consumer 2	2	1

A. Draw the Edgeworth box for the economy.
B. Display the equilibrium in the Edgeworth box.
C. What is the effect on the equilibrium price of good 2 relative to good 1 of an increase in each consumer's endowment of good 1 by 1 unit?
8. How the public debt influences economy? Explain in detail.
9. Two consumers A and B have incomes of $30,000 and $100,000, respectively. A and B consume the same bundle of goods with a cost (including tax) of 24,000. The only tax on the economy is a commodity tax levied uniformly on all goods at a rate of 20 percent.
    i.   What proportion of income is paid in tax by A and B?
    ii.   What implications does such a tax have in terms of equity?
    iii. Is there any way the commodity tax can be restructured to improve its equity properties?

Section-D (30 Marks)

10. For the linear demand function $x = a - bp$, calculate the deadweight loss of introducing a commodity tax t when the marginal cost of production is constant at c. How is the deadweight loss affected by changes in a and b? How does a change in b affect the elasticity of demand at the equilibrium without taxation?

or

Define Externality. Explain different type of Externality. How pigouvian taxation will correct negative externality? Use diagram to justify your answer. Does market failure cause externality?