

Name:  
Enrolment No:

**UNIVERSITY OF PETROLEUM & ENERGY STUDIES**  
End Semester Examination – December, 2022

**Program: BA Economics (Hons)**  
**Subject/Course: Public Economics-II**  
**Course Code: ECON3014**

**Semester: V**  
**Max. Marks: 100**  
**Duration: 3 Hours**

Q.No.	Section A (Type the Answers in test box)	10Q×2M=20M	COs
	Question	Marks	COs
1	Government intervention is usually measured in terms of a. Share of public expenditure in GDP b. Ratio of public debt to GDP c. Ratio of fiscal deficit to GDP d. Number of government employees	2	CO 1
2	A market failure exists when a. the price established in the market equals the marginal cost of production b. resources are optimally allocated c. the price established in the market does not equal the marginal social benefit and marginal social cost of producing the good d. competitive markets' clearing price equals both the marginal social cost and marginal social benefits	2	CO 1
3	The productivity of a tax is not measured by a. Tax to GDP ratio b. Tax Buoyancy c. Tax elasticity d. Marginal tax rate	2	CO 1
4	Progressive tax is one where the tax incidence a. Grows at the same rate as that of the tax base b. Grows at higher rate than that of the tax base c. Grows at lower rate than that of the tax base d. Remains independent of that of the tax base	2	CO 1
5	Baumol's disease a. Rise in the government salaries even without any increase in the productivity b. Rise in the wage rate in the private sector with inflation c. Rise in the government expenditure due to wastages d. Rise in the government salaries as a result of inflation	2	CO1
6	Income tax is progressivity is measured by a. Tax to income ratio b. Tax elasticity coefficient c. Tax inequality coefficient	2	CO1

	d. Laffer curve		
7	Income tax is said to be progressive when a. Marginal tax rate > average tax rate b. Marginal tax rate = average tax rate c. Marginal tax rate < average tax rate d. Marginal tax rate is constant	2	CO1
8	The ultimate principle of taxation is a. equal absolute sacrifice principle b. equal proportional sacrifice principle c. equal marginal sacrifice principle d. benefit principle	2	CO1
9	A tax is said to be buoyant if tax revenue is proportionally: (1) More responsive to changes in output. (2) Less responsive to changes in output. (3) Equally responsive to change in tax base (4) Less responsive to changes in tax base	2	CO1
10	The impact and incidence of tax coincides in the case of a. income tax b. sales tax c. wealth tax d. (a) and (c)	2	CO1
<b>1. Each question will carry 15 marks</b> <b>2. Instruction: Write short/ brief notes</b>			
	<b>Section-B</b> <b>(Scan and upload)</b>	4Q×5M=20M	
1.	What are the sources of Market failure? Explain	5	CO 2
2.	.Contrast between <i>Wagner's law</i> and <i>Baumol's law</i> of public expenditure	5	CO 2
3.	What do you mean by effect of tax shifting? Discuss the effect of unit tax on suppliers. (Use Diagram to explain)	5	CO 2
4.	Increasing the amount of annual per expenditures on school has helped in increasing student performance. What could make that improvement better?	5	CO 3

Q.No.	<b>Section-C</b> <b>(Scan and upload)</b>	3Q×10M=30M											
1	Explain the concepts of <i>Paternalism, Welfarism, and Behavioralism</i> . What are the different type of mistakes (and imperfections) people make which motivate public intervention?	10	CO 3										
2	Explain Hinrich's Theory of Economic Development and Tax Structure. Where does India stand as per the theory?	10	CO 3										
3	<p>What do you mean by deadweight loss? How do you explain deadweight loss in the context of Indirect Tax?</p> <p style="text-align: center;">Or</p> <p>The following tax regime is for the individuals below 60 years of age in India.</p> <table border="1" data-bbox="131 779 1073 1010"> <thead> <tr> <th>Income Tax Slab</th> <th>Income Tax Rate</th> </tr> </thead> <tbody> <tr> <td>Up to ₹ 2,50,000</td> <td>Nil</td> </tr> <tr> <td>₹ 2,50,001 - ₹ 5,00,000</td> <td>5% above ₹ 2,50,000</td> </tr> <tr> <td>₹ 5,00,001 - ₹ 10,00,000</td> <td>₹ 12,500 + 20% above ₹ 5,00,000</td> </tr> <tr> <td>Above ₹ 10,00,000</td> <td>₹ 1,12,500 + 30% above ₹ 10,00,000</td> </tr> </tbody> </table> <p>Calculate the tax liability for a person who is earning ₹22 lakh per annum. Is the income tax rate is progressive? Explain</p>	Income Tax Slab	Income Tax Rate	Up to ₹ 2,50,000	Nil	₹ 2,50,001 - ₹ 5,00,000	5% above ₹ 2,50,000	₹ 5,00,001 - ₹ 10,00,000	₹ 12,500 + 20% above ₹ 5,00,000	Above ₹ 10,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	10	CO3
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Q.No	<b>Section-D</b> <b>(Scan and upload)</b>	2Q×15M=30M											
1	Critically analyze the merits and demerits of Direct Taxes and Indirect Taxes. Discuss principles of taxation in this context.	15	CO4										
2	<p>Are the following policies conducted for efficiency or equity motives:</p> <ul style="list-style-type: none"> <li>• Provision of unemployment benefits?</li> <li>• Provision of primary education?</li> <li>• Provision of higher education?</li> <li>• Provision of retirement pensions.</li> <li>• Prohibiting smoking in public places</li> </ul> <p>Explain the reason behind your answers.</p> <p style="text-align: center;">Or</p> <p>Consider a hypothetical island with only ten people. Eight have income of \$10,000, one has income of \$50,000, and one has income of \$100,000.</p>	15	CO4										

a. Draw the Lorenz curve for this income distribution. What is the appropriate value of the Gini coefficient?

b. Suppose a wealth newcomer arrives on this island with an income of \$500,000. How does it change the Lorenz curve? What is the impact of Gini coefficient?