



Chhatrapati Shahu Ji Maharaj
University, Kanpur

Answer Script Details
Barcode 8002668

Roll No. 24023000043
Total Mark 55/75.00

Exam MASTER OF ARTS_ODD EXAM-DEC-24
Subject A080703T - PUBLIC FINANCE

Question wise Mark Summary

Q.No Mark Q.No Mark Q.No Mark Q.No Mark

1A 4/5

1B 4/5

1C 4/5

1D 4/5

1E 4/5

1F 4/5

1G 4/5

1H 4/5

1I 4/5

2 0/15

3 9/15

4 0/15

5 0/15

6 0/15

7 0/15

8 10/15

9 0/15

Chhatrapati Shahu Ji Maharaj University Kanpur, Uttar Pradesh

PART-I

Date of Exam: 19/12/24 Staff: 1st Room No: 228
 Paper Code: A080703T Subject: Public Finance Year: 1st
 Name of Candidate: Shreya Yadav
 Roll No: 24023000043
 Signature: *Shreya*
 Signature of Candidate: *NT*
 Signature of Invigilator: *Shreya*
 COE Facsimile: *Shreya*

PART-II

| MARKS OBTAINED | | | | | | | | | | |
|------------------------|---|---|---|---|---|---|---|------------|---|----|
| Q. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| (a) | | | | | | | | | | |
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| Total Marks in Words | | | | | | | | | | |



A 0 8 0 7 0 3 T
Paper Code

Signature of Evaluator

PART-III

Course: **MAECONOMICS**
 Session: 2024 Year/Semester: 1st
 Subject Name: **Public Finance**
 Medium: English Hindi
 Paper Code: A 0 8 0 7 0 3 T
 Exam Date: 1 9 1 2 2 0 2 4
 Name of Candidate: SHREYA YADAV
 Father's Name: FATEH BAHADUR

संस्थान का कोड
College Code

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परीक्षा केंद्र का कोड
Exam Centre Code

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 P Q R
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 Y Z

परीक्षा का प्रकार
Type of Exam

Regular Ex-Student
 Private Back Paper Exam

ANSWER BOOKLET NO.

8002668

A 0 8 0 7 0 3 T
Paper Code



PART-IV

Enrolment Number: C S J M A 2 4 0 0 0 0 6 3 5 5 3
 Candidate's Roll Number: 2 4 0 2 3 0 0 0 0 4 3
 Paper Code: A 0 8 0 7 0 3 T

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Shreya
Signature of Candidate

NT
Signature of Invigilator

Shreya
Signature of Candidate

Shreya
COE Facsimile

नोट - 1. परीक्षार्थी को निर्दिष्टित किया जाता है कि उत्तरपत्र वाले को कुछ भाग पर उचित सभी निर्देशों को सावधानीपूर्वक पढ़ें।
 2. उत्तरपत्र में खरी जगह खाली प्रतिक्रियाएँ जारी करना एक गलत प्रथा है। 3. शीटों को काले या नीले बॉलपेन से भरा जाये।

INSTRUCTION TO THE CANDIDATE FOR FILLING PART-I

1. Read the instructions carefully given on the answer script and admit card.
2. Write Date of Exam, Shift, Paper Code & Name of Subject Correctly.
3. Write Name & Roll No. Correctly.
4. Write Semester & Branch Correctly.

INSTRUCTION TO THE CANDIDATE FOR FILLING PART-II

1. Use blue or black ball point pen for writing alphabets & numerals in boxes.
2. Carefully study the example before you start marking.
3. As shown in the example below, blacken the circles completely.



4. Make no Stray marks on this sheet.

5. DO NOT WRITE OR MARK ON THE BAR CODE.

IN ORDER TO AVOID UFM (UNFAIR MEANS) :

1. The Roll No. and Answer Book no. found elsewhere or any other symbol found in the answer book will be treated as unfair means.
2. Any tempering of Bar Code and Booklet no shall be treated as Unfair Means.
3. Do Not bring the materials like slip of paper/mobile/digital diaries/ study material/ revision notes in examination hall. Possession of the mobiles/ digital diaries/electronic/digital/ watch and any other electronic gadget except memory less scientific calculator shall be considered as UFM case.
4. Do not keep or paste currency note in answer script it shall be consider as UFM.

अनुचित साधन से बचने हेतु :

1. उत्तर पुस्तिका के निर्दिष्ट स्थान को छेदकर अनुक्रमिक एवं उत्तरपुस्तिका का क्रमिक कडी और न लिखें साथ कोई भी चिह्न न बनायें क्योंकि यह अनुचित साधन प्रयोग की शक्ति में आता है।
2. उत्तर पुस्तिका के बाहरीकोष्ठ अथवा उत्तर पुस्तिका संख्या पर छेद छान्द करने पर अनुचित साधन प्रयोग माना जावेगा।
3. परीक्षा कक्ष में किन बस्तुएं साथ न लायें, जैसे लिखे हुए कलाश की टुकड़ें, मोबाइल, डिजिटल घांटी, डिजिटल वॉच, कडी, घुलक पद बन्धी बस्तुएं जो अनुचित साधन की अन्तर्गत आती है। कोकल संवेदित प्रणयन में ही संवेदी लेस इलेक्ट्रॉनिक कैलकुलेटर ले जाने की अनुमति होती।
4. उत्तर पुस्तिकाओं में कपड़े न रखें न ही उत्तर पुस्तिका में चिन्कवायें। ऐसा करना अनुचित साधन प्रयोग की शक्ति में आता है।

परिचरितियों को ठीक लिखें

1. प्रवेश पत्र एवं उत्तर पुस्तिका पर लिखे गये निर्देशों को ध्यान से पढ़ें।
2. कवर पृष्ठ के दूसरी तरफ कुट न लियें।
3. उत्तर पुस्तिका के पृष्ठों पर दोनो तरफ लिखें।
4. प्रश्न पत्र पर अपने अनुक्रमांक को अधिलेख कुट न लियें।
5. प्रश्न पत्र कोड एवं प्रश्न पत्र ID सावधानी पूर्वक लिखें।
6. अपनी तिथि स्पष्ट लिखें।
7. उत्तर पुस्तिका के पृष्ठों की संख्या देखें। अगर उत्तर पुस्तिका में पृष्ठ (1-24) से कम है या फटे हुए है, तो प शुरू होने के पूर्व दूसरी उत्तर पुस्तिका ले लें।
8. प्रश्नपत्र को देख, यदि प्रश्नपत्र के विषय कोड, विषय का नाम तथा प्रश्न नं कोई त्रुटि है तो उसके पक्ष होने के 30 मिनट के अन्दर कक्ष निरीक्षक को तत्काल सूचित करें, उसके बाद विपरीतकारण द्वारा कोई न ही की जायेगी।
9. प्रश्नों के उत्तर लिखने के लिये पेंसिल का प्रयोग न करें।
10. की कभी या अधिलेख छान नहीं दिया जायेगा।

INSTRUCTION TO THE CANDIDATE

1. Read the instructions carefully given on the Question Paper, Admit Card & Answer Script.
2. Do not write anything on back side of the cover page.
3. Write on both sides of pages of answer book.
4. Do not write anything on question paper except Roll Number.
5. Write Paper Code & Question Paper Id carefully.
6. CHECK the number of pages (1-24) or any other kind of damage in your answer script, if found than change the answer script immediately before the commencement of examination.
7. CHECK the Question Paper for any kind of discrepancy e.g. Subject Code, Sr Name, and Question of the Question Paper during first THIRTY MINUTES of commencement of the exam, so that it can be corrected in TIME. After that no corrections shall be entertained by the university.
8. Do not use pencil for answering the question.
9. Write status correctly e.g. those appearing in carry over papers should fill in stat as Carry Over. Those appearing as Ex- Students should fill in status as ex.
10. No supplementary answer book & graph paper will be provided.

INSTRUCTION TO THE CANDIDATE FOR FILLING PART-IV

1. Use blue or black ball point pen for writing alphabets & numerals in boxes.
2. Use blue or black ball point pen for filling the circles.

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Note- If your Roll No. is of 10 digits. Please leave first three columns ,

Section A.Question 1 (A)Project Evaluation:-

Project evaluation is the process of systematically assessing a project to determine its effectiveness, efficiency, relevance and sustainability. It helps stakeholders to analyse & understand how well a project has achieved its goals, what impacts it has made, & whether the resources were used efficiently.

In simple terms project evaluation is like reviewing a project considering how is it going its impact the country's economic growth in public aspect, what worked well, and what could be improved.

Key objectives of Project Evaluation-(1) Assess Performance:

To measure whether the project achieved its objectives and delivered expected outcomes or not and what further improvements can be made.



(2) Improve decision making:

To provide insights for better planning and execution of future projects.

(3) Accountability:

To ensure that resources (time, money, and labour) were used responsibly & effectively.

(4) Learn lessons:

To identify what worked well & what didn't, for future improvement.

There are four types of project evaluation-

- 1) Formative Evaluation
- 2) Summative Evaluation
- 3) Impact Evaluation
- 4) Cost Benefit Evaluation

It is essential for determining the success & effectiveness of a project.



Question 1 (B)

The problems of double taxation are as follows:

Double taxation occurs when the same income is taxed twice, typically in two different jurisdictions or at different levels.

It often happens in international trade & investment or when corporate profits are taxed and dividends distributed to share holders are taxed again.

The key problems are -

(1) Financial Burden on Taxpayers:

Double taxation increases the overall tax liability, leaving individuals & businesses with less disposable income or profit.

This can discourage investments and savings as the returns are significantly reduced.



2) Discourage cross border trade and investment:

Businesses operating in multiple countries may face double taxation on the same income, making trade and investment less attractive.

Investors may avoid investing in countries with high tax rates or no agreements to prevent double taxation.

3) Hampers Economic Growth:

High tax liabilities due to double taxation reduce the incentive for businesses to expand or reinvest.

This can slow economic growth as businesses hold back on creating or innovating.

4) Inequity in Taxation:

Double taxation creates an unfair system where the same income is taxed more than once, leading to inequity.



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Question 1 (C)

Market failure :-

Market failure occurs when a market fails to allocate resources fairly & efficiently, leading to loss of economic and social welfare. In an ideal market, resources are distributed in a way that wastage of resources does not take place and the balance is maintained. But market failure happens when this balance is disrupted.

Causes for market failure are -

(1) Externalities:

Externalities are the activities that includes people who not a part of the particular business or an activity, but yet are affected in some or the other way. either positive or negative.

(2) Public goods:

Public goods like streetlights or national defense are non excludable & non



non-rivalrous.

3.) Imperfect competition:

When business have too much market power, like monopolies, they can set high prices & limit supply,

4.) Inequity in Resources ✓

Markets may fail to provide essential goods and services to everyone creating social inequality.

5.) Information asymmetry

When buyers and sellers lack information it leads to poor decision making which would ultimately lead to market failure.



Question 1 (D)

Peacock - Wiseman's Hypothesis :

The Peacock - Wiseman's hypothesis states that with time and as the year passes by, the government spending only increases with zero to no possibility of going back to the original spending. It is almost impossible that if once the spending i.e. the government expenditure is increased by a certain value then it would go back to the previous or the original spending.

The key concepts of Peacock Wiseman's Hypothesis are -

- (1) It was given by the scholars Peacock & Wiseman in 1961, keeping in mind the government spending.
- (2) Peacock - Wiseman's Hypothesis states that there is not going back or returning to the previous expenditure, spending once the spending is increased.



(3) Since there are no chances of the income going back to the previous spending therefore Peacock-Wiseman's theory also states the displacement of the government spending and expenditure.

The various ways or causes or the different reasons for Peacock-Wiseman's Hypothesis are -

(1) Natural calamities:

The natural calamities like earthquakes, tsunamis, floods etc might be one of the causes that forces the government to increase their spending and expenditure.

2) National Crises:

The various economical and social national crises pushes the government to add on to their expenditure.


3) Global Crises:

Global crises like for example: Covid-19 increased the government expenditure following Peacock-Wiseman's theory.



Question 1(E)

Impact of Taxation:

Taxation is one of the ways in which the government's revenue  uplifts, leading to an increased government expenditure. If the government would not be financially adequate then it would be difficult for the government to provide the country's citizens with good facilities and basic needs fulfillment. Therefore in order to provide good social services, it plays a very important role for the government to find ways to fund the government's revenue for their future expenditure. Taxation is considered as one of the way in which the the government revenue is funded. The government charges tax from the citizen's of the country in various forms like charging road tax for the roads that the citizens use for transportation, service tax from the government employees, charging taxes on the goods and services produced i.e. charging tax from the firms or the business mans. It is these ways



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of charging tax that the government collects enough funds to spend it on public goods. This fund helps the government to provide the public with merit goods. The merit goods are those goods that are most needed by the citizen i.e. the goods that must be provided to ~~the~~ every citizen of the country, for their efficient needs. This public and merit goods provided by the government funded by taxation.

The taxation should be done very efficiently as the taxation if not paid righteously could even lead to negative outcomes.

If the taxation is performed rightly and charged efficiently in a way that tax payers do not feel burdened then it would definitely lead to a positive economic growth.

On the other hand, if the taxes are not charged efficiently then it might



even lead to discouragement in employees to carry out their job efficiently and might even lead to decline to some extent in the economy.

Incidence of taxation :-

Incidence of taxation in economy views and states that who is going to bear the cost or the burden of taxation. It happens various times that not only the tax payer but other people around the circle are also affected by enterprise tax payment.

Who will bear the burden of tax depends upon the type of taxes -

Direct Tax:

In case of direct taxes, the producer or the manufacturer is the one who bears all the cost of the tax.

Indirect Tax:

In case of indirect tax, the cost bearing of tax is passed on to the consumers as well.



Question 1 (P)

Public goods -

The public goods are the goods that are required by the citizens of the country i.e. the public and are necessary for the public as they come under basic necessities of the public.

The public goods are managed by the government i.e. it is the country's government that looks after the efficient availability of public goods. The public goods also come under the responsibility of government because the private sectors won't be able to fulfill all the basic necessities of the public. And even if they manage to fulfill the need of public goods, it is impossible for them to charge each and every individual who is benefited by the goods. These goods are non-excludable in nature i.e. nobody can stop or exclude any citizen of the country from using these public goods and



benefitting from it. They are also non-rivalrous in nature which means that irrespective of how much they are used, the use of it by one person won't reduce its availability for the other people. Therefore the goods the government feels that they can provide better than what and how the private sector would provide are known as public good.

Private goods-

Private goods are the goods that are produced or manufactured by the private firms & businesses and while selling these goods, the consumer has to pay the identifying money in return of buying that good. Therefore since price is a huge deciding factor in the decision of whether the consumer would be able to afford it and consume it or not, therefore these types goods are classified as private goods. These goods are excludable and rivalrous in nature i.e. consumption of one good by a consumer would lead to reduction in availability of the good for others.



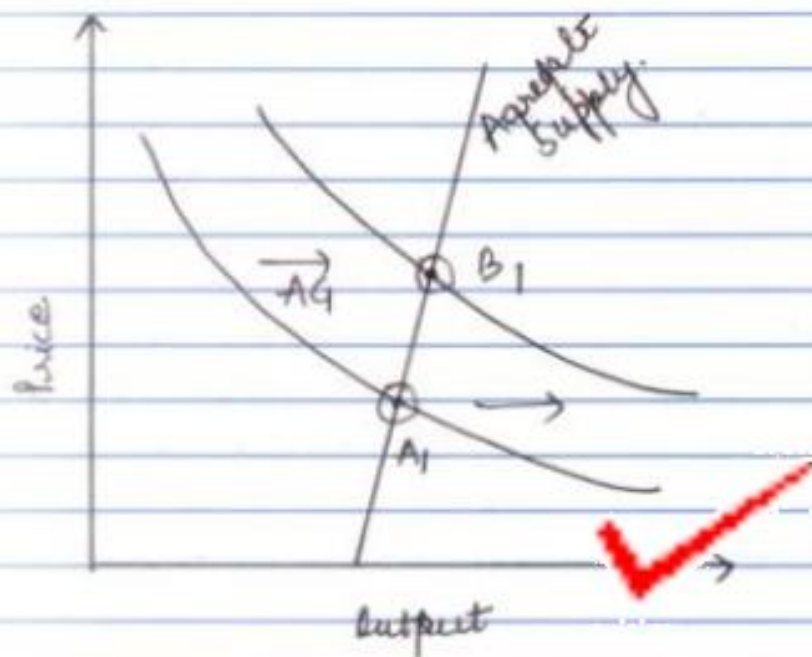
Question 1 (4)

Keynesian concept for stabilisation policy:-

In order to keep ^{the} market structure in order that is in balance so that it does not lead to economic health disruption, there are various concepts and laws in the economy that are to be religiously followed. There are various causes that would lead to an unstable economy. Therefore Keynesian gave a concept for stabilisation that is that before making the deal the seller and the buyer should communicate effectively about the deal so that it does not lead to market failure. The stabilisation is only possible in the market when the market mechanism is carried out in a balanced way. Any imbalance in the market mechanism would then lead to the conflict with respect to the Keynesian concept for stabilisation.



For stabilisation policy both the tax payer and the tax collector to carry out the process in a fair & equity way.



The points where the AS and AG curve meet is where the stabilisation can be witnessed.



Question 1. (H)

Wanger's Law of Increasing State activity:

Wanger's Law of increasing state activity states that with the growth in the community and economic growth it is very evident that the with country's increasing economic growth the government expenditure also witnessed a hike. As the country grows financially, the government's role increases and the need for government's presence both during expenditure and spending is vital.

There are various ways in which with the increase in economic growth the state's activity increases-

(1) Infrastructure development:-

With an increased economic growth it requires for the government to invest in the development of the infrastructure for its overall growth.



2) Social upliftment :-

As the country grows economically, it becomes necessary for the government to also look after the social issues in the country so that with the economic growth there can also be social growth. It involves government to invest in social welfare for the interest of the society.

3) Technological Advancements :-

With the growing economy, the fundamental technological advancements would further enhance and aid to the country's economy. It would attract foreign firms to work in a more technologically advanced system as it would make their work easier. Not just for the foreign firms but also the workers within the country would work more efficiently.



Question 1 (I)

Concept of Maximum social advantages-

The concept of maximum social advantage in economy is stating that there is no loss or waste of resource in the economy due to any sort of market failure. It states the perfect conditions of the market balance. i.e. how the taxation system is perfectly balanced so that there is maximum social advantage. For maximum social advantage it is important that both the sectors i.e. the participating parties in the taxation process are equally benefitted. For the ones paying taxes, they would be satisfied by paying tax when tax is charged in a fair way.

The ways that constitute to the satisfaction of the one's paying tax are-

(1) Fairness:

The taxes have to be paid fairly.

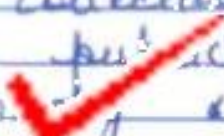


i.e. that before charging tax it should be looked into the ability of the tax payers if they would be capable of paying the tax charged.

(2) Equity :-

It is very important for the tax collection to be done with equity i.e. the rich pays more tax while the poor pays less tax.

This way of collecting tax would not discourage the tax payer and they would keep working efficiently, which is very crucial for maximum social advantage.

In the tax collector's part i.e. the fund the government receives by collecting tax should be used in public goods & the welfare of the so.  so that the tax collected would add to the social advantage. It is the government's duty to look after the right use of the fund collected in providing public goods and social welfare in order to maximize social advantages.

Section B.Question 3.

Zero-based budgeting is an effective instrument of fiscal policy:

Zero based budgeting is one of the three budgeting in the public finance. It is considered as one of the best way of budgeting as it does not have any connect with the previously existing budgeting. Zero-based budgeting is the kind of budgeting that ~~means~~ ^{means} starts the budgeting from the very base i.e. from the scratch. It does not consider market budgeting that it precontinued. Since it is started from the scratch, it requires the well defined justification of why the departments needs the investment or expenditure and whether the investment would be efficient or not i.e. whether the return of that particular department to give the desired outcome. Though it focuses on thought-full spending but it is considered as a time taking.



The requirements of the zero-based budgeting is:-

- (1) The first step is for the departments to justify why they require the investment.
- (2) The second step of zero budgeting is for the departments to explain in detail the areas they would work on for develop.
- (3) After the detailed description and ~~to~~ decide areas for work is when ~~to~~ fund ~~at~~ the investment is allocated. ✓

~~It~~ Though it is an efficient way, there are further limitations to it:-

(1) Complexity:-

Zero based budgeting is more complex in nature compared to the other kinds of budgeting, when it comes to preparing it and drafting it.

(2) Time taking:-

Compared to other kinds of budgeting, zero based budgeting is the most time taking budgeting considered that it is done from scratch.



The positive outlooks of zero based budgeting are as follows-

1) Management of money:

Since a detailed explanation is demanded before allocating the ^{money} ~~budget~~, it is managed sensibly keeping only necessities in mind.

2) Fresh & target based:

Since the budgeting is started from scratch it is effective and the money/fund is efficiently used.

Section C.

Question 8

Shifting of tax:

Shifting of tax refers to the phenomena in public finance where the various factors causes the taxes to shift from original to other sources. How the shifting of the tax takes place depends on the type of the tax it is.



The shifting of the tax causes the burden of the tax from one individual to the other individual. For example, when the firm has to pay the service taxes they adequately result in decline of income of the employees and their added incentives. Also when the tax is increased on the raw materials that are required to produce the goods and services, i.e. ✓ manufacturer although it seems that they pay the tax directly but internally they divide the tax in various ways in a form the consumer ends up paying the tax. There are two theories about how the shifting of the tax takes place. They are as follows -

(1) Diffusion Theory:

The diffusion theory in public finance talks about how the tax incurred on one firm or manufacturer is not just fulfilled by the manufacturer itself but is diffused among the people involved in that activity.

For example, when a firm has to pay the taxes, the tax though paid by



the firm on the front foot but later it is seen how it impacts the employees and the workers working in the firm as later the salaries of the employees are reduced.

(2) Concentration theory-

The Concentration theory in the public finance states that how the whole of the tax burden is concentrated on the end holder of the supply chain i.e. the consumer.

For example, in case of tax being charged on raw materials that are used for the manufacturing, the producer then happens to charge the tax by the consumers by adding an extra percent to the production price.

Let's say the production price of a certain good is ₹ 100. but the total tax that the manufacturer happens to fulfill for the raw materials for 15%. So the producer will add an extra 15% to the production price and the selling price of the product will be ₹ 115, making the consumer bear the tax burden.