

UNIVERSITY OF CALICUT
SCHOOL OF DISTANCE EDUCATION

VI SEMESTER

B.A ECONOMICS
(2011 ADMISSION)

CORE COURSE

PUBLIC FINANCE

QUESTION BANK

(Correct Answers are given in parentheses)

1. The Law of Increasing State Activity was propounded by: **[D]**
A) Musgrave
B) Colin Clark
C) Adam Smith
D) Adolph Wagner
2. In proportional tax system, the rates of tax remain: **[A]**
A) **Constant**
B) Increasing
C) Decreasing
D) Zero
3. The Benefit Principle of taxation states that tax should be paid in proportion to: **[C]**
A) Income
B) Expenditure
C) Benefit
D) Utility
4. Expenditure Tax for India was recommended by: **[A]**
A) **Kaldor**
B) Colin Clark
C) Adam Smith
D) Adolph Wagner
5. Corporate Income tax is the tax levied on: **[D]**
A) Corporations
B) Municipalities
C) Co-operative societies
D) Companies

6. Education is an example of: **[B]**
- A) Public good
C) Club good
B) **Merit good**
D) Social good
7. Which one of the following is Adam Smith’s Canon of Taxation?**[B]**
- A) Productivity
C) Flexibility
B) **Certainty**
D) Stability
8. Grants recommended by the Finance Commission are known as: **[C]**
- A) Plan grants
C) **Statutory grants**
B) Conditional Grants
D) Conditional grants
9. Deficit financing is related to: **[A]**
- A) **Fiscal Policy**
C) Trade Policy
B) Monetary policy
D) Industrial policy
10. Which one of the following is not a method for redeeming public debt? **[D]**
- A) Sinking fund
C) Terminal annuities
B) Capital levy
D) **Grants in aid**
11. Public Goods are: **[B]**
- A) Excludable
C) Marketable
B) **Non-excludable**
D) All of these
12. Direct taxes are: **[D]**
- A) Proportional
C) Digressive
B) Regressive
D) **Progressive**
13. The Finance Commission in India is appointed by: **[A]**
- A) **President**
C) Chief Minister
B) Prime Minister
D) Finance Minister
14. Which of the following is common between private and Public Expenditure? **[A]**
- A) **Maximum Satisfaction**
C) Profit motive
B) Minimum Expenditure
D) Social welfare
15. Which of the following is the major source of revenue in India: **[D]**
- A) Direct tax
C) Grants in aid
B) Capital levy
D) **Indirect tax**
16. The Theory of Maximum Social Advantage was given by:**[B]**
- A) Marshal
C) Musgrave
B) **Dalton**
D) Mill

17. Which of the following is not a Commodity Tax: **[C]**
- A) Excise Duty
B) Customs duties
C) **Corporation Tax**
D) Octroi
18. Which of the following is a Statutory Body? **[A]**
- A) **Finance Commission**
B) Planning Commission
C) State Planning Board
D) None of these
19. Displacement effect is associated with: **[B]**
- A) Financial Administration
B) **Public Expenditure**
C) Public Debt
D) Budget
20. Who is the father of Public Finance: **[A]**
- A) **Dalton**
B) Pigou
C) Smith
D) Musgrave
21. Author of 'General Theory of Employment, Interest and Money': **[C]**
- A) Dalton
B) Marshal
C) **Keynes**
D) Musgrave
22. Functional Finance concept was introduced by:
- A) Marx and Angels
B) Keynes and Lerner
C) Dalton and Pigou
D) J.S. Mill
23. Who is the exponent of Law of Increasing State Activities? **[D]**
- A) Dalton
B) Pigou
C) Smith
D) **Wagner**
24. The Displacement effect hypothesis was formulated by: **[A]**
- A) **Peacock and Wiseman**
B) Pigou
C) Smith
D) Musgrave
25. The most accepted theory of taxation in modern times: **[D]**
- A) Benefit theory
B) Cost of service
C) Financial Theory
D) **Ability theory**
26. Formation of -----is the actual method of debt redemption: **[A]**
- A) **Sinking fund**
B) Capital levy
C) Conversion
D) Repudiation
27. A budget where there is excess of expenditure over revenue is called: **[B]**
- A) Surplus
B) **Deficit**
C) Balanced
D) Zero-based

28. Special Assessment means: **[A]**
- A) **A tax on special benefits**
 - B) General tax on all people
 - C) A periodical tax
 - D) Gift tax
29. The single largest item of expenditure of Union Government is: **[B]**
- A) Defence
 - B) **Debt payments**
 - C) Pension
 - D) Administration
30. Chairman of the first Finance Commission: **[B]**
- A) Chadha
 - B) **K.C. Neogi**
 - C) Santhanam
 - D) Y.V. Chavan
31. Who is the chairman of the latest Finance Commission?**[D]**
- A) Chadha
 - B) K.C. Neogi
 - C) Santhanam
 - D) **Y.V. Reddy**
32. Redemption of public debt means: **[A]**
- A) **Repayment of debt**
 - B) Repayment of FDI
 - C) Additional borrowing
 - D) Deficit financing
33. Sales tax is levied by: **[A]**
- A) **State government**
 - B) Central government
 - C) Local Government
 - D) All of these
34. The Annual Account of both the income and expenditure is called:**[B]**
- A) Plan
 - B) **Budget**
 - C) Manifesto
 - D) Accounts
35. The Indian tax system is: **[A]**
- A) **Regressive**
 - B) Progressive
 - C) Degressive
 - D) Constant
36. Non-exclusion principle is related to: **[B]**
- A) Private goods
 - B) **Public goods**
 - C) Merit goods
 - D) Mixed goods
37. The financial year in India starts from:**[A]**
- A) **1st January**
 - B) 31st March
 - C) 1st April
 - D) 1st July
38. The equity principle of taxation was propounded by: **[A]**
- A) **Adam Smith**
 - B) Dalton
 - C) J.B. Say
 - D) Marshall

39. Adolph Wagner was a ----- Economist: **[B]**
- A) French **B) German**
 C) Indian D) American
40. The balanced budget principle was advocated by: **[C]**
- A) Keynesians B) Mercantilists
C) Classical school D) Neo-Classical school
41. Deficit financing as a tool of fiscal policy was suggested by: **[A]**
- A) **Keynes** B) Dalton
 C) J.B. Say D) Marshall
42. When the demand for a commodity is inelastic, the incidence of taxation will be on: **[A]**
- A) **Buyers** B) Sellers
 C) Producers D) Stockists
43. Keynes popularised: **[B]**
- A) Monetary policy **B) Fiscal Policy**
 C) Income policy D) Price policy
44. “The government which taxes the least is the best”, is the belief of: **[D]**
- A) Mercantilists B) Physiocrats
 C) Modern **D) Classical**
45. According to Laffer, when the tax rate is 100 per cent, the tax revenue will be: **[C]**
- A) 100% B) 50%
C) Zero D) 10%
46. Incidence of a tax refers to the -----burden of tax: **[B]**
- A) Initial **B) Ultimate**
 C) Intermediate D) None
47. In the case of regressive tax, the rate of tax ----- as income increases: **[C]**
- A) increases B) remains constant
C) Decreases D) None
48. Ad valorem duties are levied on: **[D]**
- A) Length B) Weight
 C) Utilities **D) Value**
49. Tax avoidance is: **[B]**
- A) Illegitimate **B) Legitimate**
 C) Punishable D) None

50. The VAT was first introduced in: **[D]**
- A) India
B) Britain
C) USA
D) **France**
51. The rate of income tax in India is: **[B]**
- A) Regressive
B) **Progressive**
C) Proportional
D) Degressive
52. Customs duties are imposed on commodities as they cross: **[C]**
- A) State boundaries
B) District boundaries
C) **National boundaries**
D) Municipal boundaries
53. Contra-cyclical fiscal policy was popularised by: **[D]**
- A) Adam Smith
B) Dalton
C) J.B. Say
D) **Keynes**
54. The Classical economists asserted that public expenditure is: **[A]**
- A) **Unproductive**
B) Productive
C) stagnant
D) All of these
55. Wagner's Law is related to: **[B]**
- A) Public revenue
B) **Public expenditure**
C) Public debt
D) Budget
56. Which one of the following is not a tax base? **[C]**
- A) Income
B) wealth
C) **Utility**
D) Consumption
57. Equals treated equally in taxation leads to: **[C]**
- A) Vertical equity
B) Real equity
C) **Horizontal equity**
D) None
58. Which one of the following is not a public utility? **[D]**
- A) Electricity
B) Water supply
C) Gas service
D) **Tourism**
59. The largest component of revenue expenditure in India is: **[B]**
- A) Pension
B) **Interest payments**
C) Education
D) Health
60. VAT now replaces: **[C]**
- A) Excise duty
B) Customs duty
C) **Sales tax**
D) Entertainment tax

61. The principle of MSA was contributed by:[B]
- | | |
|---------------|-------------|
| A) Adam Smith | B) Dalton |
| C) J.B. Say | D) Marshall |
62. Which is the main point on the basis of which public finance can be separated from private finance? [D]
- | | |
|-----------------------|-----------------|
| A) Borrowing | B) Price policy |
| C) Motive of spending | D) Secrecy |
63. Which economist has classified public expenditure on the basis of function? [A]
- | | |
|---------------|-------------|
| A) Adam Smith | B) Dalton |
| C) J.B. Say | D) Marshall |
64. Incidence of a direct tax: [B]
- | | |
|----------------------|----------------------|
| A) Can be shifted | B) Cannot be shifted |
| C) Partially shifted | D) Fully shifted |
65. Deficit financing leads to: [D]
- | | |
|---------------------|-------------------|
| A) Fall in price | B) Stagnant price |
| C) Control of price | D) Rise in price |
66. The Chairman of the Eleventh Finance Commission was:[D]
- | | |
|----------------|----------------|
| A) K.C. Panth | B) Y.V. Reddy |
| C) K.Santhanam | D) A.M. Khusro |
67. Modified Value Added Tax was introduced in India in: [B]
- | | |
|---------|---------|
| A) 1951 | B) 1986 |
| C) 1991 | D) 1976 |
68. Which of the following is a non-tax revenue? [C]
- | | |
|---------------|-----------------|
| A) Wealth tax | B) Octroi |
| C) Grants | D) Customs duty |
69. Agricultural Holding Tax was recommended by: [B]
- | | |
|---------------|-------------|
| A) Adam Smith | B) K.N. Raj |
| C) Chelliah | D) Marshall |
70. The burden of long-term public debt fall on: [C]
- | | |
|-----------------------|--------------------|
| A) Present generation | B) Past generation |
| C) Future generation | D) All |
71. If the amount of tax paid as a percentage of income diminishes as income increases, it is said to be: [B]
- | | |
|--------------------|-------------------|
| A) Progressive tax | B) Regressive tax |
|--------------------|-------------------|

- C) Degressive tax
D) Proportional tax
72. The tax imposed on individuals independently of his income, wealth, occupation, age and other characteristics is called: **[C]**
- A) Direct tax
B) Grants-in-aid
C) Indirect tax
D) All
73. A fraudulent effort by a tax payer to escape a legal tax obligation is called: **[B]**
- A) Tax avoidance
B) **Tax evasion**
C) Tax cascading
D) None
74. An Excise Duty is levied on: **[C]**
- A) Consumption
B) Distribution
C) Production of a commodity
D) Exchange of a commodity
75. The Great Depression occurred during: **[B]**
- A) 1919-23
B) **1929-33**
C) 1949-53
D) 1901-05
76. "The very best of all plans of finance is to spend little and the best of all taxes is that which is least in amount" is the opinion of: **[C]**
- A) Adam Smith
B) Dalton
C) J.B. Say
D) Marshall
77. "The best system of public finance is that which secures the maximum social advantage from the operations which it conducts" is the dictum of:**[B]**
- A) Adam Smith
B) **Dalton**
C) J.B. Say
D) Marshall
78. Tax is a -----payment: **[C]**
- A) Optional
B) Open
C) Compulsory
D) Elective
79. -----are imposed as a penalty on law breakers:**[B]**
- A) Fees
B) **Fines**
C) Taxes
D) Special Assessment
80. The right of the state to claim and acquire property of the deceased without legal heirs is called:**[D]**
- A) Grants
B) Gift
C) Fine
D) Escheats
81. Income Tax is an example of ----- tax: **[A]**
- A) **Direct**
B) Value Added
C) Indirect
D) Specific

82. The ultimate resting place of the burden of a tax payment is called:[B]
- | | |
|-------------|---------------------|
| A) Impact | B) Incidence |
| C) Shifting | D) None |
83. Shifting the burden of a tax by the producer to the factors of production is known as: [B]
- | | |
|------------------------|-----------------------------|
| A) Forward shifting | B) Backward shifting |
| C) Horizontal shifting | D) Vertical shifting |
84. People with similar income should pay the same amount of tax follows: [A]
- | | |
|-----------------------------|--------------------|
| A) Horizontal equity | B) Vertical equity |
| C) Diagonal equity | D) None |
85. One of the objective factors for ability to pay tax is: [B]
- | | |
|----------------|------------------|
| A) Expenditure | B) Income |
| C) Utility | D) Satisfaction |
86. Pump Priming is related with:[D]
- | | |
|--------------------|-------------------------|
| A) Monetary policy | B) Income policy |
| C) Price policy | D) Fiscal policy |
87. Deficit financing may lead to:[C]
- | | |
|---------------------|-----------------|
| A) Poverty | B) Unemployment |
| C) Inflation | D) Deflation |
88. The debts which the government promises to pay off at a specified date are called:[C]
- | | |
|----------------------------|-------------------|
| A) Irredeemable debts | B) Funded debts |
| C) Redeemable debts | D) unfunded debts |
89. Short-period debts are called as:[A]
- | | |
|--------------------------|----------------|
| A) Unfunded debts | B)Funded debts |
| C) Redeemable debts | D) None |
90. Unfunded debts are also known as: [B]
- | | |
|-----------------------|--------------------------|
| A) Funded debts | B) Floating debts |
| C) Irredeemable debts | D) None |
91. Treasury bills issued by the Government are in the nature of: [B]
- | | |
|-----------------------|--------------------------|
| A) Funded debts | B) Floating debts |
| C) Irredeemable debts | D) None |
92. A tax that can be shifted is called: [C]
- | | |
|------------------------|--------------------|
| A) Direct tax | B) Progressive tax |
| C) Indirect tax | D) None |

93. When a tax is based on the weight of the commodity it is called:[B]
- A) Advolarum tax
B) **Specific tax**
C) General tax
D) Direct tax
94. 'Arthashastra' was written by:[C]
- A) M.K. Gandhi
B) Ranade
C) **Kautilya**
D) Dalton
95. Salaries and pensions paid by governments are called:[C]
- A) Capital expenditure
B) Development expenditure
C) **Revenue expenditure**
D) Plan expenditure
96. The fiscal deficit excluding the interest liabilities for a year is called as: [D]
- A) Revenue deficit
B) Capital deficit
C) Budget deficit
D) **Primary deficit**
97. The FRBM Act was passed in: [C]
- A) 1991
B) 2001
C) **2003**
D) 2011
98. The Zero-based budgeting was first adopted in:[D]
- A) India
B) France
C) Germany
D) **USA**
99. Who proposed the Zero-based budgeting for the first time: [D]
- A) David Ricardo
B) Alfred marshall
C) Adam Smith
D) **Peter Phyr**
100. Gender budgeting started in India with the Union budget of:[C]
- A) 1991-92
B) 2001-02
C) **2006-07**
D) 2010-11
101. Service tax in India was introduced in: [D]
- A) 1991-92
B) 2001-02
C) 2006-07
D) **1994-95**