

PART A — (10 × 1 = 10 marks)

Answer ALL questions.

Choose the correct answer :

1. Those goods whose consumption and use are to be encouraged are called  
(a) Mixed good (b) Public good  
(c) Merit good (d) Private good
2. Free rider problem is one of the characteristics of  
(a) Private good (b) Mixed good  
(c) Public good (d) Services

6. An example of expansionary fiscal policy would be  
(a) Cutting taxes  
(b) Cutting government spending  
(c) Cutting production of consumer goods  
(d) Cutting prices of consumer goods
7. Who can dissolve a Zila Parishad?  
(a) Panchayat president  
(b) Central government  
(c) State government  
(d) Chairperson of Panchayat Samiti
8. The State finance commission is a  
(a) Legal body  
(b) Non-statutory body  
(c) Constitutional body  
(d) Statutory body
9. The finance commission in India is appointed by  
(a) President (b) Prime minister  
(c) Chief minister (d) Finance minister

3. A flexible budget requires careful study and classification of expenses into  
(a) Past and current expenses  
(b) Fixed, semi variables and variable expenses  
(c) Administrative, selling and factory expenses  
(d) Future expenses
4. The term zero based budgeting refers to  
(a) A specified sum of money authorized by the legislature for a specific period of time  
(b) To ensure that every rupee spent is result oriented  
(c) A statutorily mandated form of reimbursement or upfront payment for state expenditures  
(d) A cost item for which payment is made by one state agency to another
5. Which of the following steps under the fiscal policy is an example for stabilizing the economy?  
(a) Making payments towards unemployment insurance benefits  
(b) Making payments towards pensions for retired military personnel  
(c) Allocating more capital for spending on construction of national highways  
(d) Decreasing the supply of money within the economy

10. The finance commission determines the  
(a) The finances of the government of India  
(b) The resources transfer to the state  
(c) The resources transfer to the various departments  
(d) The resources transfer to the private companies

PART B — (5 × 5 = 25 marks)

Answer ALL questions, choosing either (a) or (b).

Each answer should not exceed 250 words.

11. (a) Define public goods and explain its characters with examples.  
Or  
(b) Illustrate the failure of market economy.
12. (a) Explain the government budget and its structure.  
Or  
(b) Elucidate the preparation and passing process of budget in India.

13. (a) Describe the various instruments of fiscal policy.

Or

(b) Explain the meaning and the objectives of fiscal policy.

14. (a) Differentiate between state finance and local finance.

Or

(b) Elaborate on the sources of revenue of local bodies.

15. (a) List out the functions of finance commission.

Or

(b) What is finance commission? and explain its role in detail.

PART C — (5 × 8 = 40 marks)

Answer ALL questions choosing either (a) or (b).

Each answer should not exceed 600 words.

16. (a) Distinguish between public and private good.

Or

(b) Describe the various types of goods with suitable examples.

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17. (a) What is budget? State the functional classification of budget.

Or

(b) Briefly explain the highlights of the current year's budget.

18. (a) State the instruments of fiscal policy. Substantiate the importance of instruments of the fiscal policy.

Or

(b) Analyze the role of fiscal policy in India.

19. (a) Elucidate the challenges faced by local bodies in India.

Or

(b) Interpret the meaning and illustrate the structure of local finance.

20. (a) Critically examine the major recommendations of 14<sup>th</sup> finance commission.

Or

(b) Bring out the importance of finance commission in India with a detailed overview.

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