



Name:
Enrolment No:

UPES
End Semester Examination, May 2023

Course: Public Economics- I
Program: B.A. Economics (Hons).
Course Code: ECON2018.

Semester: IV
Time : 03 hrs.
Max. Marks: 100

Instructions:

SECTION A
10Qx2M=20Marks

S. No.		Marks	CO
Q 1	Which is not an assumption of Ramsay rule? (a) Lump sum tax is prohibited. (b) Can't tax all commodities. (c) Only for direct taxes. (d) Production price is fixed.	2	CO1
Q2	Shifting of tax incidence is possible in the case of- (a) Wealth tax (b) Tax on property (c) Value added tax (d) Personal tax	2	CO1
Q3	Imposition of unit tax will shift the supply curve to the- (a) Left (b) Right (c) Vertically (d) Horizontally	2	CO1
Q4	Which of the following is a solution to the free rider problem? (a) Privatization of public goods. (b) Coercion of individuals to pay for public goods. (c) Taxation to finance public goods. (d) All of the above.	2	CO1
Q5	The tax incidence on a good will be greater on the side of the firm that: (a) Is more elastic. (b) Is more inelastic. (c) Has a larger number of buyers. (d) Has a larger number of sellers.	2	CO1
Q6	Among the following, what causes market failure? 1) Externality. 2) Asymmetry of information. 3) Imperfect competition. Select the correct answer using the codes given below.	2	CO1

	a) Only 1 c) 1 and 2	b) 2 and 3 d) All of these		
Q7	Which is true for the Marginal Cost (MC) for public goods? (a) MC increases with output. (b) MC decreased with output. (c) MC is constant. (d) MC is zero.		2	CO1
Q8	In the simple majority rule- (a) $MC < AC$ (b) $AC < MC$ (c) $MC = AC$ (d) MC and AC both equals to zero		2	CO1
Q9	Which is not true for Harberger model? (a) It is based on Perfect competition. (b) The amount of Labor and Capital are fixed. (c) Identical preferences of consumers. (d) None of these.		2	CO1
Q10	The incidence of an ad-valorem tax falls more heavily on the consumer when: (a) Demand for the good is highly elastic. (b) Demand for the good is highly inelastic. (c) Supply of the good is highly elastic. (d) Supply of the good is highly inelastic		2	CO1
SECTION B 4Qx5M= 20 Marks				
Q 11	Write the free rider problem, and how it happens in real life? Give one real example.		5	CO2
Q12	Illustrate the incidence of income tax in general market.		5	CO2
Q13	Define the concepts of progressive and proportional taxation.		5	CO2
Q14	Explain the Laffer curve with help of graph.		5	CO2
SECTION-C 3Qx10M=30 Marks				
Q 15	Examine the Coase bargain problem. What is the role of property rights in the Coase Bargain?		10	CO3
Q16	Determine the equilibrium in factor market when incidence of tax is equally shared between labor and firm.		10	CO3
Q17	Discuss the effects of specific tax imposition in monopoly condition.		10	CO3
SECTION-D 2Qx15M= 30 Marks				
Q18	Critically evaluate the concept of tax progressivity. If the value of tax revenue increases from 12 lakh to 14 lakh as increasement in the tax rate from 4% to 6%, then calculate value of tax elasticity.		15	CO4

Q19	Evaluate the Lindahl solution for public goods provision. Suppose for consumer A, $P_1 = 20 - Q$ For consumer B, $P_2 = 30 - 3Q$, And $MC = 4Q$ Then calculate the Lindahl price level.	15	CO4
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