

2022

M.A. / M.Sc.

4th Semester Examination 2022

ECONOMICS

PAPER—ECO-403

FINANCE

Full Marks : 50

Time : 2 Hours

The figures in the right-hand margin indicate full marks.

Candidates are required to give their answers in their own words as far as practicable.

Illustrate the answers wherever necessary.

Group - A

1. Answer any two questions. 2×2

(a) What do you mean by fiscal federalism?

- (b) What are the major sources of state finance, both, revenue and capital?
- (c) Suppose in a society only one public and one private good are consumed. Draw the budget lines of the society taking the private good as numeraire, in cases of close-ended matching grant and ear-marked grants received from the higher government.
- (d) What is flypaper effect regarding different types of grants the state govt. receives?

2. Answer any *two* questions. 2×4

- (a) Differentiate between revenue and capital account of govt budget. Should expenditures on education and health be included in revenue account? Give justifications. 2+2
- (b) What do you mean by vertical imbalance in the context of fiscal federalism? Is this kind of imbalance justified? 2+2
- (c) What are the basic roles of a government in a capitalist society?

(d) What are the criteria for devolution of taxes set by 15th Finance commission of India? Is there any difference from 14th Finance commission in this regard?

3. Answer any *one* question. 1×8

(a) What do you mean by sustainability of public debt? Derive the public debt sustainability condition following Domar. What are the shortcomings of this approach? 2+3+3

(b) Define public good. How is the definition of public good modified by Buchanan's theory of club? Can you use this theory to justify decentralized provision of public goods? Give any two reasons in favour of fiscal federalism. 2+2+2+2

Group - B

4. Answer any *two* questions. 2×2

(a) Distinguish between primary and secondary stock markets.

(b) Distinguish among bulls, bears and stags.

(c) What do you mean by Portfolio Management?

(d) What do you mean by systematic and unsystematic risk?

5. Answer any *two* questions. 2×4

(a) Explain the different components of balance sheet of a company.

(b) Explain the different profitability ratios.

(c) Distinguish between Payback period and Discounted Payback period.

(d) Explain briefly under what situation diversification reduces risk and is a productive activity.

6. Answer any *one* question. 1×8

(a) Explain the different components of balance sheet of a company.

(b) What do you mean by capital market line and Security market line? Distinguish between them.

[Internal assessment - 10]