

PUBLIC ECONOMICS

MULTIPLE CHOICE QUESTIONS

1. Scope of public finance includes :
(a) Public revenue (b) Public debt (c) Public expenditure (d) All of these
2. Public Authorities Include:
(a) Central Government (b) State Government (c) Local Government (d) All of these
3. Which is the main point on the basis of which public finance can be separated from private finance:
(a) Price policy (b) Borrowings (c) Secrecy (d) Elasticity in income
4. The principle of Maximum Social Advantage have been suggested by
(a) Pigou (b) Dalton (c) Musgrave (d) Adam Smith
5. In the following which is the characterstic of a tax
(a) Compulsory (b) optional (c) forced (d) nationality
6. Which is the main objective of a tax:
(a) Increase in consumption (b) increase in production (c) Raising public revenue (d) reduction in capital formation
7. Among the following canons of taxation which one has been given by Adam Smith:
(a) Canon of Uniformity (b) Canon of productivity (c) canon of diversity (d) canon of equity
8. The Indian tax system is:
(a) Proportional (b) Progressive (c) Regressive (d) Degressive
9. The burden of direct taxes is borne by :
(a) Rich person (b) poor person (c) on whom it is levied (d) none of these
10. Indirect taxes have an element of :
(a) Equitable (b) certainty (c) economical (d) encourage honesty
11. Direct taxes have the element of :
(a) Evasion (b) convenient (c) progressive (d) economy
12. In proportional tax system, the rates of tax remain:
(a) Constant (B) increasing (c) decreasing (d) zero
13. Expenditure Tax for India was recommended by:
(a) Kaldor (b) Colin Clarke (c) Adam Smith (d) Adolph Wagnor
14. Corporate Income tax is the tax levied on:
(a) Corporations (b) Municipalities (c) Co –operative societies (d) Companies
15. Which of the following is the major source of revenue in India:
(a) Direct tax (b) Capital Levy (c) Grants in aid (d) Indirect tax
16. Which of the following is not a Commodity Tax:
(a) Excise duty (b) Customs Duty (c) Coporation Tax (d) Octroi
17. A duty levied on goods when they entering a town
(a) Income tax (b) Octroi (c) Agricultural tax (d) Professional tax
18. Special Assessment means:
(a) A tax on special benefits (b) General tax on all people (c) A periodical tax (d) Gift tax
19. Non-exclusion principle is related to:
(a) Private goods (b) Public goods (c) Merit goods (d) Mixed goods
20. Education is an example of:
(a) Public good (b) Merit good (c) Social good (d) Club good
21. Public Goods are:
(a) Excludable (b) Non – excludable (c) Marketable (d) All of these

22. Who is the father of Public Finance:
 - (a) Dalton (b) Pigou (c) Smith (d) Musgrave
23. Incidence of tax means:
 - (a) Direct money burden (b) indirect money burden (c) actual tax burden (d) none of these
24. Which is the tax shifting
 - (a) To bear the tax burden himself (b) to shift the tax burden on others (c) to bear some part of the tax himself and shift the rest on others (d) none of these
25. The equity principle of taxation was propounded by:
 - A) Adam Smith B) Dalton C) J.B. Say D) Marshall
26. "The government which taxes the least is the best", is the belief of:
 - A) Mercantilists B) Physiocrats C) Modern D) Classical
27. According to Laffer, when the tax rate is 100 per cent, the tax revenue will be:
 - A) 100% B) 50% C) Zero D) 10%
28. Incidence of a tax refers to the-----burden of tax:
 - A) Initial B) Ultimate C) Intermediate D) None
29. In the case of regressive tax, the rate of tax-----as income increases:
 - A) increases B) remains constant C) Decreases D) None
30. Advolorem duties are levied on:
 - A) Length B) Weight C) Utilities D) Value
31. Tax avoidance is:
 - A) Illegitimate B) Legitimate C) Punishable D) None
32. The VAT was first introduced in:
 - A) India B) Britain C) USA D) France
33. Customs duties are imposed on commodities as they cross:
 - A) State boundaries B) District boundaries C) National boundaries D) Municipal boundaries
34. Contra-cyclical fiscal policy was popularised by:
 - A) Adam Smith B) Dalton C) J.B. Say D) Keynes
35. Deficit financing as a tool of fiscal policy was suggested by:
 - A) Keynes B) Dalton C) J.B. Say D) Marshall
36. Keynes popularised:
 - A) Monetary policy B) Fiscal Policy C) Income policy D) Price policy
37. A budget where there is excess of expenditure over revenue is called:
 - A) Surplus B) Deficit C) Balanced D) Zero-based
38. The balanced budget principle was advocated by:
 - A) Keynesians B) Mercantilists C) Classical school D) Neo-Classical school
39. Which one of the following is not a tax base?
 - A) Income B) wealth C) Utility D) Consumption
40. Equals treated equally in taxation leads to:
 - A) Vertical equity B) Real equity C) Horizontal equity D) None
41. Which one of the following is not a public utility?
 - A) Electricity B) Water supply C) Gas service D) Tourism
42. The largest component of revenue expenditure in India is:
 - A) Pension B) Interest payments C) Education D) Health
43. The Classical economists asserted that public expenditure is:
 - A) Unproductive B) Productive C) stagnant D) All of these
44. Wagner's Law is related to:

- A) Public revenue B) Public expenditure C) Public debt D) Budget
45. The largest component of revenue expenditure in India is:
A) Pension B) Interest payments C) Education D) Health
46. Adolph Wagner was a-----Economist:
A) French B) German C) Indian D) American
47. Who is the exponent of Law of Increasing State Activities?
A) Dalton B) Pigou C) Smith D) Wagner
48. The Displacement effect hypothesis was formulated by:
A) Peacock and Wiseman B) Pigou C) Smith D) Musgrave
49. The financial year in India starts from:
A) 1st January B) 31st March C) 1st April D) 1st July
50. Salaries and pensions paid by governments are called:
A) Capital expenditure B) Development expenditure C) Revenue expenditure D) Plan expenditure
51. The fiscal deficit excluding the interest liabilities for a year is called as
A) Revenue deficit B) Capital deficit C) Budget deficit D) Primary deficit
52. The FRBM Act was passed in:
A) 1991 B) 2001 C) 2003 D) 2011
53. The Zero-based budgeting was first adopted in:
A) India B) France C) Germany D) USA
54. Who proposed the Zero-based budgeting for the first time:
A) David Ricardo B) Alfred Marshall C) Adam Smith D) Peter Phyrre
55. Gender budgeting started in India with the Union budget of:
A) 1991-92 B) 2001-02 C) 2006-07 D) 2010-11
56. Grants recommended by the Finance Commission are known as:
A) Plan grants B) Conditional Grants C) Statutory grants D) Conditional grants
57. Which one of the following is not a method for redeeming public debt?
A) Sinking fund B) Capital levy C) Terminal annuities D) Grants in aid
58. The Finance Commission in India is appointed by:
A) President B) Prime Minister C) Chief Minister D) Finance Minister
59. The Theory of Maximum Social Advantage was given by:
A) Marshall B) Dalton C) Musgrave D) Mill
60. Which of the following is a Statutory Body?
A) Finance Commission B) Planning Commission C) State Planning Board D) None of these
61. Author of 'General Theory of Employment, Interest and Money':
A) Dalton B) Marshall C) Keynes D) Musgrave
62. Functional Finance concept was introduced by:
A) Marx and Engels B) Keynes and Lerner C) Dalton and Pigou D) J.S. Mill
63. Formation of-----is the actual method of debt redemption:
A) Sinking fund B) Capital levy C) Conversion D) Repudiation
64. Chairman of the first Finance Commission:
A) Chadha B) K.C. Neogi C) Santhanam D) Y.V. Chavan
65. Redemption of public debt means:
A) Repayment of debt B) Repayment of FDI C) Additional borrowing D) Deficit financing
66. The Annual Account of both the income and expenditure is called:
A) Plan B) Budget C) Manifesto D) Accounts
67. Equals treated equally in taxation leads to:

- A) Vertical equity B) Real equity C) Horizontal equity D) None
68. Modified Value Added Tax was introduced in India in:
A) 1951 B) 1986 C) 1991 D) 1976
69. Agricultural Holding Tax was recommended by:
A) Adam Smith B) K.N. Raj C) Chelliah D) Marshall
70. The burden of long-term public debt fall on:
A) Present generation B) Past generation C) Future generation D) All
71. The Great Depression occurred during:
A) 1919-23 B) 1929-33 C) 1949-53 D) 1901-05
72. Pump Priming is related with:
A) Monetary policy B) Income policy C) Price policy D) Fiscal policy
73. Deficit financing may lead to:
A) Poverty B) Unemployment C) Inflation D) Deflation
74. The debts which the government promises to pay off at a specified date are called
A) Irredeemable debts B) Funded debts C) Redeemable debts D) unfunded debts
75. Short-period debts are called as:
A) Unfunded debts B) Funded debts C) Redeemable debts D) None
76. Unfunded debts are also known as
A) Funded debts B) Floating debts C) Irredeemable debts D) None
77. Treasury bills issued by the Government are in the nature of:
A) Funded debts B) Floating debts C) Irredeemable debts D) None
78. A tax that can be shifted is called:
A) Direct tax B) Progressive tax C) Indirect tax D) None
79. Service tax in India was introduced in:
A) 1991-92 B) 2001-02 C) 2006-07 D) 1994-95
80. The chairman of the 15th Finance Commission of India is
A) A.M. Khusro B) K. C. Pant C) N.K. Singh D) Arun Jaitley
81. The basic principle of public finance is:
a) Maximum Social Advantage b) welfare of the Govt. c) welfare of the Individual d) all of the above
82. The finance commission is appointed every :
A) 3 years B) 5 years C) 6 years D) 7 years
83. Which of the following is not a fiscal instrument?
a) Open market operations b) Public expenditure c) Taxation d) budget
84. Which of the following is a measure of fiscal policy?
a) Public expenditure b) C.R.R. c) S.L.R. d) Bank rate
85. The First Finance Commission was appointed in the year:
A) 1949 B) 1950 C) 1951 D) 1952
86. Modern Canons of taxation are propounded by:
a) Bastable b) Adam Smith
c) Seligman d) Pigou
87. In India, personal income tax is levied on individuals by:
a) Central Government b) State Government
c) Local bodies d) None of these
88. Sound tax policy is devised mainly on the basis of:
a) Maximum tax revenue b) Elastic tax base
c) High income elasticity d) High price elasticity
89. The Kelkar Proposals are concerned with:

- a) Recommendations for reforms in the power sector
 - b) Recommendations for tax reforms
 - c) Guidelines for the privatization of public sector undertakings
 - d) None of the above
90. In the case of direct tax, impact and incidence are on:
- a) Different person b) Same person
 - c) Sellers d) None of these
91. The direct violation of Tax law is called:
- a) Tax evasion b) Tax avoidance
 - c) Tax Rebate d) None of these
92. The final resting place of the burden of tax is called:
- a) Tax avoidance b) Tax evasion
 - c) Impact d) Incidence
93. Fiscal policy is the policy of:
- a) RBI b) NABARD
 - c) Government d) All the above
94. The principle of judging fiscal measures by the way they work is called:
- a) Personal Finance b) Public Finance
 - c) Functional Finance d) Local Finance
95. When individuals with unequal tax paying ability should be taxed unequally in order to equal sacrifice is called:
- a) Horizontal equity b) Vertical Equity
 - c) Tax paying ability d) None of these
96. Elastic revenue response to marginal tax rate reductions is called:
- a) Marginal tax curve b) Functional curve
 - c) Laffer curve d) None of these
97. The neo-Keynesian approach to public finance is called
- a) Functional finance b) Aggregate demand
 - c) Global finance d) Federal finance
98. "The best system of public finance is that which secures the maximum social advantage from the operations which it conducts" is the dictum of
- A) Adam Smith B) Dalton C) J.B. Say D) Marshall
99. Which is the method of financial adjustment between Centre and States?
- a) Tax sharing b) Grant-in-aid
 - c) Public debt d) Federal Finance
100. Merit goods means:
- a) Public good b) Free good
 - c) Rare good d) White good
101. The modern state is:
- a) Laissez –faire state b) Welfare state
 - c) Aristocratic state d) Police state
102. According to Musgrave the major functions of public finance is:
- a) Allocative function b) Distributive function
 - c) Stabilisation function d) All the above
103. Who is the author of the book "The Theory of Public Finance"?
- a) Dalton b) R A Musgrave
 - c) A.R. Prest d)Harvey Rosen
104. A criterion by which public goods are distinguished from private goods:

- a) Exclusion principle b) Externality principle
 c) Public choice principle d) None of the above
105. Non-rivalry and non-excludability are the characteristics of:
 a) Normal goods b) Demerit goods
 c) Inferior goods d) Public goods
106. Which one of the following taxes is levied by the State Government only?
 a. Entertainment tax b) Corporation tax
 c) Wealth tax d) Income tax
107. Laffer curve suggest that the
 a) Relationship between tax revenue and tax rates is U-shaped
 b) Relationship between GDP growth rate and tax rates is U-shaped
 c) Relationship between tax revenue and tax rates is inverted U-shaped
 d) Relationship between savings rate and tax rate is inverted U-shaped
108. The controlling authority of Government expenditure is:
 a) RBI b) Planning Commission
 c) Ministry of Finance d) Finance Commission
109. The idea of 'Democratic Decentralization' in India was popularized by:
 a) A.D. Gorwala Committee, 1951 b) B.R. Mehta Committee, 1957
 c) Ashok Mehta Committee, 1978 d) None of these
110. A tax levied upon a firm as a percentage of its value added
 a) Merit tax b) VAT
 c) Turnover tax d) Sales tax
111. Which one of the following is the most acceptable theory of taxation:
 a) Benefit theory b) Cost of service theory c) Ability to pay theory
 d) None of these
112. The Kerala Panchayat Raj Act was passed in the legislature in the year:
 a) 1995 b) 1994 c) 2000 d) 1999
113. The concept of decentralized planning received renewed attention in India with the:
 73rd and 74th Constitutional Amendment Acts of : a) 1993 b) 1992
 c) 1995 d) 2000
114. The Indian income tax is:
 a) Direct and proportional b) Indirect and proportional
 c) Indirect and progressive d) Direct and progressive
115. The main objective of budgeting is:
 a) Planning b) Co-ordination
 c) Control d) All of these
116. Which tax cannot be shifted to others?
 a) Excise duty b) Sales tax
 c) Entertainment tax d) Wealth tax
117. Pump Priming is related with
 A) Monetary policy B) Income policy C) Price policy D) Fiscal policy
118. Wiseman-Peacock hypotheses supports in a much stronger manner the possibility of
 :
 a) An upward trend in public expenditure b) A downward trend in public expenditure
 c) A constancy of public expenditure d) A mixed trend in public expenditure
119. The theory of fiscal policy derives from (A) Principle of sound finance
 (B) N.I. analysis (C) Welfare economics (D) None of these

120. Fiscal Federalism refers to
 (A) Sharing of political power between centre and states
 (B) Organising and implementing economic plans
 (C) Division of economic functions and resources among different layers of Govt.
 (D) None of these
121. Which one of the following is an optional function of Government? (A) Defense
 (B) Old Age Security (C) Law and Order (D) None of these
122. Principle of sound finance refers to (A) Maximum Government spending
 (B) Minimum Government spending
 (C) Revenue expenditure balanced at the minimum level
 (D) Balance between Tax and spending
123. Private goods are characterized by (A) Application of exclusion principle
 (B) Rivalry in consumption (C) Payment of prices (D) All the above
124. The most important aim of fiscal policy in a developing country is
 (A) economic stability (B) economic development (C) regional balance
 (D) None of these
125. Market failure refers to a situation when
 (A) Market does not function (B) market solution occurs if government intervenes
 (C) Social efficiency is not achieved (D) perfectly competitive firm experiences $P > MC$
126. Public goods are non-rival if
 (A) Some people cannot be prevented from consuming it
 (B) Consumption by one person reduces consumption of other individuals
 (C) Some people are excluded from consuming it (D) all the above
127. The income of the government through all its sources is called
 (A) Public expenditure (B) public revenue (C) Public finance (D) none of these
128. The maximum effect of direct taxes is on (A) Price of food (B) Income
 (C) Capital goods (D) consumer goods
129. The Wanchoo Committee (1971) probed into (A) Direct taxes (B) indirect taxes
 (C) Agricultural holding tax (D) non-tax revenue
130. Deficit financing means (A) Public expenditure in excess of public revenue
 (B) Public revenue in excess of public expenditure (C) Both (A) and (B)
 (D) none of the above
131. Modvat means (A) Modified value added tax (B) moderate value added tax
 (C) Modest value added tax (D) modern value added tax
132. The revenue of the State Government is raised from the following sources except one, which is that? (A) Land revenue (B) agricultural income tax (C) Entertainment tax
 (D) expenditure tax
133. The Finance Commission does all the following functions except one, which is that?
 (A) Works out allocation of taxes in the divisible pool
 (B) Looks into financial relations between the Centre and the States
 (C) Allocates grants - in - aid to the States and Union Territories
 (D) Assist the Planning Commission in making 5 year plans.
134. The methods of restoring resource balance between different governments in a federal set-up is based on (A) Tax sharing (B) Grants -in-Aid (C) Loans
 (D) All the above

135. Finance Commission determines
 (A) The finances of Government of India (B) The resources transfer to the State
 (C) The resources transfer to the various departments (D) none of the above
136. Federal Finance deals with (A) State finances
 (B) Finances of railways (C) Local bodies
 (D) Centre-State financial relations
137. Primary deficit means: (A) Fiscal deficit- Interest
 (B) Revenue deficit-interest payments (C) Fiscal deficit+ revenue deficit
 (D) Budgetary deficit
138. Non-Plan Grants are determined by (A) Planning Commission
 (B) Finance Commission (C) Central Government (D) State Government
139. Public Debt Management refers to (A) Terms of new bonds
 (B) Proportion of different components of public debt (C) Maturity (D) All the above
140. Public Expenditure increases (A) Interest rate (B) Employment (C) Exports
 (D) Imports
141. Central Assistance for State and UT plan is a part of (A) Plan Expenditure
 (B) Revenue Expenditure (C) Non-Plan Expenditure (D) None of the above
142. Deficit financing includes a) Borrowing from the Central Bank
 b) Issues of new currency by the Government
 c) Withdrawal of past accumulated cash balance by the government
 d) All the above
143. The had recommended certain reforms on the devolution of Grant – in –
 Aid (Plan fund) to LsGs from 2006-07 to 2010-11 (A) 3rd State Finance Commission
 (B) 2nd State Finance Commission (C) 1st State Finance Commission
 (D) None of the above
144. There is a view that reduced rates on income tax would lead to a significant rise in in-
 come tax revenue. This view has been attributed to (A) Herbert Simon
 (B) Arthur Laffer (C) Robert Lucas (D) J.B. Say
145. Functional Finance functions through (A) Buying and selling (B) giving and taking
 (C) Lending and borrowing (D) All the above
146. The ideal system of public Finance is one where the net benefit is (A) Maximum
 (B) Minimum (C) Zero (D) Infinity
147. The burden of long term public debt is on:
 (a) Present generation (b) past generation (c) future generation (d) none of these
148. Public debt leads to extravagance, encouraged resort to war and induced bad
 economic conditions. This statement is of :
 (a) Dalton (b) Adam Smith (c) J.K. Mehta (d) Findley Shirras
149. The main objective of taking private loan is :
 (a) To achieve public objectives (b) to achieve personal objectives (c) to achieve long
 term objectives (d) none of these
150. Shortcoming of public debt is :
 (a) Political slavery (b) danger of insolvency (c) danger to country's freedom (d) all of the
 above
151. Dalton has divided debt redemption fund into:
 (a) Two parts (b) three parts (c) Four parts (d) Five parts
152. ----- refers to refusal to repay the debt
 (a) Repudiation (b) Capital levy (c) Sinking fund (d) none of the above
153. Marginal cost of providing the public goods to additional consumers is :

- (a) 0 (b) 1 (c) 2 (d) 3
154. Mixed goods are those goods having benefits which are:
 (a) rival (b) Non – rival (c) both a & b (d) none of these
155. Critical Limit Hypothesis was associated with the name of
 (a) Dalton (b) Colin Clarke (c) J.M. Keynes (d) Musgrave
156. Escheat is an example of
 (a) Direct tax (b) Indirect tax (c) Both a & b (d) none of these
157. Taxes which are based on specific qualities or attributes of goods are called
 (a) Specific tax (b) Advalorem tax (c) customs duty (d) Excise duty
158. The item or economic activity on which tax is imposed is known as
 (a) Tax buoyancy (b) tax rate (c) Excess burden (d) tax base
159. Gift tax was introduced in the year
 (a) 1958 (b) 1959 (c) 1960 (d) 1961
160. ----- is a broad based and a single comprehensive tax levied on goods and services consumed in an economy
 (a) VAT (b) CENVAT (c) GST (d) None of these
161. In India GST was introduced in the year
 (a) 2016 (b) 2017 (c) 2018 (d) 2019
162. ----- is the first country to implement GST
 (a) USA (b) U K (c) Canada (d) France
163. In which year GST was first introduced
 (a) 1952 (b) 1953 (c) 1954 (d) 1955
164. ----- is the debt which is paid any legal enforcement.
 (a) Voluntary debt (b) compulsory Debt (c) internal debt (d) external debt
165. When the government raises revenue by borrowing from within the country is known as
 (a) Voluntary debt (b) compulsory Debt (c) internal debt (d) external debt
166. free rider problem is one of the characteristics of
 (a) Private good (b) Public good (c) merit good (d) mixed good
167. Those goods whose consumption and use are to be encouraged are called
 (a) Private good (b) Public good (c) merit good (d) mixed good
168. The concept of Merit good was introduced by
 (a) Dalton (b) Keynes (c) R A Musgrave (d) none of these
169. The concept of merit good was introduced in the year
 (a) 1959 (b) 1960 (c) 1961 (d) 1962
170. Education is an example of
 (a) Private good (b) Public good (c) merit good (d) mixed good
171. The movement from older level of expenditure and taxation to a new and higher level is called
 (a) Concentration effect (b) inspection effect (c) Displacement effect (d) none of these
172. According to Colin Clark maximum limit of the tolerance level is ----- of GNP
 (a) 24% (b) 25 % (c) 26% (d) 27%
173. A proportional tax is one in which the rate of tax remains ----- irrespective of the level of income.
 (a) Zero (b) One (c) Two (d) Constant
174. The modern theory of tax incidence was developed by
 (a) Dalton (b) Keynes (c) R A Musgrave (d) none of these
175. The diffusion theory was associated with the name of

- (a) Dalton (b) Keynes (c) R A Musgrave (d) Mansfield
176. The Concentration theory of tax shifting and incidence was developed by
(a) Mercantilist (b) Physiocrats (c) Australian School (d) Keynesians
177. When $E_d = \infty$ or $E_s = 0$, the whole incidence is on
(a) Buyers (b) Sellers (c) Govt. (d) none of these
178. When $E_s = \infty$ or $E_d = 0$, the whole incidence is on
(a) Buyers (b) Sellers (c) Govt. (d) none of these
179. When $E_d = E_s$, the burden is divided between
(a) Buyers (b) Sellers (c) both a & b (d) Govt.
180. When $E_s > E_d$, more incidence is on
(a) Buyers (b) Sellers (c) Govt. (d) none of these
181. When $E_d > E_s$, more incidence is on
(a) Buyers (b) Sellers (c) Govt. (d) none of these
182. Securities Transactions Tax (STT) was introduced in the year
(a) 2004-05 (b) 2005-06 (c) 2006-07 (d) 2007-08
183. The first state to introduce VAT was
(a) Bihar (b) Orissa (c) Haryana (d) Kerala
184. The VAT was first introduced in the year
(a) 2003 (b) 2004 (c) 2005 (d) 2006
185. ----- is the process of replacing maturing securities with new securities.
(a) Repudiation (b) Refunding (c) Conversion (d) Capital levy
186. ----- is a special type of "once for all" tax on capital imposed to repay war debts.
(a) Repudiation (b) Refunding (c) Conversion (d) Capital levy
187. Capital Levy method has been advocated by
(a) Keynes (b) Musgrave (c) Ricardo (d) none of these
188. The Current financial transactions of the government which are of recurring in nature is known as
(a) Revenue budget (b) Capital budget (c) Surplus Budget (d) Deficit budget
189. ----- is a statement of estimated capital receipts and payments of the government over fiscal year.
(a) Revenue budget (b) Capital budget (c) Surplus Budget (d) Deficit budget
190. Keynes has suggested compensatory fiscal policy to counter
(a) Recession (b) Boom (c) inflation (d) none of these
191. Unemployment insurance is an example of
(a) Built in flexibility (b) Formula Flexibility (c) Discretionary Action (d) none of these
192. Integration of discretion and automation into a hybrid form of fiscal policy called
(a) Built in flexibility (b) Formula Flexibility (c) Discretionary Action (d) none of these
193. The existence of economic inequalities among the states is known as
(a) Vertical imbalance (b) Horizontal Imbalance (c) parallel imbalance (d) none of these
194. Existence of Centre State economic inequalities is known as
(a) Vertical imbalance (b) Horizontal Imbalance (c) parallel imbalance (d) none of these
195. When expenditure exceeds total tax revenue, it is called:
a) Surplus budget b) Balanced budget
c) Deficit budget d) None of these

196. A tax levied at 5 percent on the first Rs. 10,000 of income, 10 percent on the next Rs 20,000 and 12 percent on the next Rs 30,000 would be:
a) Progressive b) Degressive
c) Regressive d) Proportional
197. Which of the following taxes is the most likely to be regressive?
a) Sales tax on mobile phone b) Excise duties on Kerosene
c) Import duties on electronic goods d) Entrainment tax
198. The Benefit Principle of taxation states that tax should be paid in proportion to: [C]
A) Income B) Expenditure C) Benefit D) Utility
199. The most accepted theory of taxation in modern times:[D]
A) Benefit theory B) Cost of service C) Financial Theory D) Ability theory
200. Which one of the following is a tax base
(a) Income (b) utility (c) Intelligence (d) No of these

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MULTIPLE CHOICE QUESTIONS

Answer Key

1. (d) All of these
2. (d) All of these
3. © Secrecy
4. (b) Dalton
5. (a) Compulsory
6. (c) Raising public revenue
7. (d) canon of equity
8. (c) Regressive
9. (c) on whom it is levied
10. (a) Equitable
11. (c) progressive
12. (a) Constant
13. (a) Kaldor
14. (d) Companies
15. (d) Indirect tax
16. (c) Corporation Tax
17. (b) Octroi
18. (a) A tax on special benefits
19. (b) Public goods
20. (b) Merit good
21. (b) Non – excludable
22. (a) Dalton
23. (b) indirect money burden
24. (b) to shift the tax burden on others
25. (a) Adam Smith
26. D) Classical
27. C) Zero
28. B) Ultimate
29. C) Decreases
30. D) Value
31. B) Legitimate
32. D) France
33. C) National boundaries
34. D) Keynes
35. (a) Keynes
36. B) Fiscal Policy
37. B) Deficit
38. C) Classical school
39. C) Utility
40. C) Horizontal
41. D) Tourism
42. B) Interest payments
43. A) Unproductive

44. B) Public expenditure
45. B) Interest payments
46. B) German
47. D) Wagner
48. A) Peacock and Wiseman
49. C) 1st April
50. C) Revenue expenditure
51. D) Primary deficit
52. C) 2003
53. D) USA
54. D) Peter Phyrri
55. C) 2006-07
56. C) Statutory grants
57. D) Grants in aid
58. President
59. B) Dalton
60. A) Finance Commission
61. C) Keynes
62. B) Keynes and Lerner
63. A) Sinking fund
64. B) K.C. Neogi
65. A) Repayment of debt
66. B) Budget
67. C) Horizontal equity
68. B) 1986
69. B) K.N. Raj
70. C) Future generation
71. B) 1929-33
72. D) Fiscal policy
73. C) Inflation
74. C) Redeemable debts
75. A) Unfunded debts
76. B) Floating debts
77. B) Floating debts
78. C) Indirect tax
79. D) 1994-95
80. C) N.K. Singh
81. a) Maximum Social Advantage
82. B) 5 years
83. a) Open market operations
84. a) Public expenditure
85. C) 1951
86. b) Adam Smith
87. a) Central Government
88. a) Maximum tax revenue
89. b) Recommendations for tax reforms
90. b) Same person
91. a) Tax evasion

92. d) Incidence
93. c) Government
94. c) Functional Finance
95. b) Vertical Equity
96. c) Laffer curve
97. a) Functional finance
98. a) Adam Smith
99. a) Tax sharing
100. b) Free good
101. b) Welfare state
102. d) All the above
103. b) R A Musgrave
104. a) Exclusion principle
105. d) Public goods
106. a. Entertainment tax
107. a) Relationship between tax revenue and tax rates is U-shaped
108. c) Ministry of Finance
109. c) Ashok Mehta Committee, 1978
110. b) VAT
111. c) Ability to pay theory
112. b) 1994
113. b)1992
114. d) Direct and progressive
115. d) All of these
116. d) Wealth tax
117. D) Fiscal policy
118. a) An upward trend in public expenditure
119. (A) Principle of sound finance
120. (C) Division of economic functions and resources among different layers of Govt.
121. (B) Old Age Security
122. (C) Revenue expenditure balanced at the minimum level
123. (D) All the above
124. (B) economic development
125. (C) Social efficiency is not achieved
126. (A) Some people cannot be prevented from consuming it
127. (B) public revenue
128. (B) Income
129. (A) Direct taxes
130. (A) Public expenditure in excess of public revenue
131. (A) Modified value added tax
132. (D) expenditure tax
133. (D) Assist the Planning Commission in making 5 year plans
134. (D) All the above
135. (B) The resources transfer to the State
136. (D) Centre-State financial relations
137. (A) Fiscal deficit- Interest
138. (C)Central Government
139. (D) All the above

140. (B) Employment
141. (C) Non-Plan Expenditure
142. d) All the above
143. (A) 3rd State Finance Commission
144. B) Arthur Laffer
145. (D) All the above
146. (A) Maximum
147. (c) future generation
148. (d) Findley Shirras
149. (b) to achieve personal objectives
150. (d) all of the above
151. (d) Five parts
152. A) Repudiation
153. A) 0
154. (c) both a & b
155. (b) Colin Clarke
156. (d) none of these
157. (d) none of these
158. (a) Specific tax
159. (d) tax base
160. (c) GST
161. (b) 2017
162. (d) France
163. (c) 1954
164. (b) compulsory
165. (a) Voluntary debt
166. (c) internal debt
167. (b) Public good
168. (c) Merit good
169. (c) R A Musgrave
170. (a) 1959
171. (c) Merit good
172. (c) Displacement effect
173. (b) 25 %
174. (d) Constant
175. (d) Mansfield
176. (b) Physiocrats
177. (b) Sellers
178. (a) Buyers
179. (c) both a & b
180. (a) Buyers
181. (b) Sellers
182. (a) 2004-05
183. (c) Haryana
184. (a) 2003
185. (b) Refunding
186. (d) Capital levy
187. (c) Ricardo

- 188. (a) Revenue budget
- 189. (b) Capital budget
- 190. (A) Recession
- 191. (a) Built in flexibility
- 192. (b) Formula Flexibility
- 193. (b) Horizontal Imbalance
- 194. (a) Vertical imbalance
- 195. (a) Surplus budget
- 196. (a) Progressive
- 197. b) Excise duties on Kerosene
- 198. C) Benefit
- 199. D) Ability theory
- 200. (a) Income