



UNIVERSITY OF THE PUNJAB
B.S. 4 Years Program / Eighth Semester – 2019

Paper: Fiscal Policy

Course Code: ECON-409 Part – I (Compulsory)

Time: 15 Min. Marks: 10

Roll No. in Fig.

Roll No. in Words.

Signature of Supdt.:

ATTEMPT THIS PAPER ON THIS QUESTION SHEET ONLY.

Division of marks is given in front of each question.

This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the correct option.

(10x1=10)

- i. Public goods include
 - a) fresh air
 - b) knowledge
 - c) national defense
 - d) all of the previous options
 - e) none of the options
- ii. The most important source of public revenue is
 - a) license fee
 - b) interest
 - c) tax
 - d) all of the previous options
 - e) none of the options
- iii. A tax charged at higher rates when income increases is called
 - a) progressive tax
 - b) degressive tax
 - c) proportionate tax
 - d) indirect tax
 - e) none of the options
- iv. Which of the following is not fiscal policy?
 - a) decrease in interest rates
 - b) decrease in sales tax
 - c) deficit financing
 - d) increase in income tax
 - e) none of the options
- v. Tax is
 - a) Paid by choice
 - b) A compulsory contribution
 - c) A type of fine
 - d) A type of fee for citizenship
 - e) None of the above
- vi. In a proportional tax system, the rate of tax
 - a) increases with income
 - b) decreases with income
 - c) always remains the same
 - d) is higher for the poor
 - e) None of the above
- vii. Custom duties encourage
 - a) important substitution
 - b) use of machinery
 - c) the importers
 - d) international trade
 - e) international organizations
- viii. Which of the following is a tool of fiscal policy?
 - a) change in supply of money
 - b) increase in the interest rate
 - c) Increase in taxes
 - d) devaluation of currency
 - e) none of the options
- ix. Ricardian Equivalence Theorem was first presented by
 - a) Ricardo
 - b) Marshal
 - c) Smith
 - d) Robbins
 - e) Barro
- x. According to Ricardian Equivalence Theorem what remains equal over generations
 - a) Investment
 - b) Consumption
 - c) Taxes
 - d) all of the previous options
 - e) none of the options



UNIVERSITY OF THE PUNJAB
B.S. 4 Years Program / Eighth Semester – 2019

Roll No.

Paper: Fiscal Policy
Course Code: ECON-409 Part – II

Time: 2 Hrs. 45 Min. Marks: 50

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

(2) Provide short answers (maximum 10 sentences per answer). (5x4=20)

- i. What is meant by the term TAX?
- ii. Why is external debt of Pakistan high and increasing?
- iii. Explain the concept of Balance budget Multiplier with examples.
- iv. What are the objectives of Fiscal policy?
- v. What is the Ricardian equivalence model about?

(3) Answer the following briefly. (3x10=30)

- a. What are different types of tax systems? Which one is better in your opinion?
- b. How external and internal debt is used to stabilize the economy?
- c. Discuss each of Local water supply, medical education & national defense as being a public good or private good? Why?