

M.A./M.Sc. 2nd Semester Examination, 2023

ECONOMICS

PAPER – ECO-205

(Public Economics and Corporate Finance)

(New Syllabus)

Full Marks : 40

Time : 2 hours

The figures in the right hand margin indicate marks

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

GROUP—A

1. Answer any *two* questions : 2 × 2
- (a) Differentiate between Fiscal Gap and Fiscal Deficit.
- (b) What is 'voting by feet' ?

(c) On which factors does the total value of a matching grant depend ?

(d) What is meant by club goods ?

2. Answer any *two* questions : 4 × 2

(a) Present a hypothetical government budget stating clearly its main components.

(b) Write a short note on the burden of external public debt.

(c) What is meant by crowding-in effect ? Explain in the IS-LM framework.

(d) With some examples explain the effects of externality on the decentralised provision of public goods.

3. Answer any *one* question : 8 × 1

(a) Derive the Domar's condition of sustainability of public debt. What are the shortcomings of this approach.

- (b) Compare the effects of an unconditional and an equivalent amount of matching grant on an economy.

GROUP-B

4. Answer any *two* questions : 2 × 2

(a) Name the two components of total risk of a security ?

(b) What does a Japanese candlestick chart represent ?

(c) Distinguish between equity shares and preference shares.

(d) What do you mean by Stock market index ?

5. Answer any *two* questions : 4 × 2

(a) What is a portfolio ? Show with the help of a diagram that diversification reduces risk. 1 + 3

- (b) Two securities P and Q generate the following sets of expected returns, standard deviations and correlation coefficient :

	P	Q
Expected return, r	15	20
Standard deviation, σ	50	30
r_{PQ}	-0.60	

A portfolio is constructed with 40% of funds invested in P and the remaining 60% in Q, calculate the expected return and risk of the portfolio. 4

- (c) Write the different components of balance sheet of a company. 4

- (d) Explain any four measures to assess the profitability of a company. 4

6. Answer any *one* question : 8 × 1

- (a) Diagrammatically explain how an investor chooses her optimal portfolio. 8

(b) Define and interpret the following ratios in financial analyses : **4 + 4**

(i) Liquidity ratios

(ii) Turnover ratios.
