

SRI VENKATESWARA UNIVERSITY:: TIRUPATI
Programme: B.A. Houours in Economics (Major) w.e.f. AY 2026-27
COURSE STRUCTURE

Semester	Course Number	Course Name	No.of Hrs/ Week	No.of Credits
IV	8	Monetary Economics	4	4
	9	Andhra Pradesh Economy	4	4
	10	Public Finance	4	4

COURSE 10: PUBLIC FINANCE

Theory

Credits: 4

4 hrs/week

Course Objective: This course aims to provide an understanding of Public Finance principles, theories, and policies, enabling students to analyse and evaluate issues in government revenue, expenditure and debt management.

Course Learning Outcomes:

After the completion of this course, the students will be able to

1. Explain the basic concepts and principle of public finance;
2. Discuss various sources of public revenue, different theories of taxation, tax systems and incidence of taxation;
3. Analyse various principles, theories, practices of public expenditure;
4. Evaluate the concepts and effects of public debt & deficits and the FRBM Act in India;
5. Illustrate the efficacy of fiscal policy, fiscal federalism and the role of the Finance Commissions in India.



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SEMESTER-IV
COURSE 10: PUBLIC FINANCE
Credits: 4

Theory

4 hrs/week

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5. Illustrate the efficacy of fiscal policy, fiscal federalism and the role of the Finance Commissions in India.

Unit 1: Introduction to Public Finance and Market Failure

- Meaning, Nature, Scope, Importance of Public Finance; Public vs Private Finance
- Principle of Maximum Social Advantage
- Types of Goods: Private, Public, Merit, Club Goods
- Problems of Market Failure, Externalities and Free Riding and Solutions.

Unit 2: Public Revenue

- Sources of Revenue: Tax and Non-tax; Cannons of Taxation
- Theories of Taxation: Benefit Theory, Ability to Pay Theory
- Tax Systems: Progressive, Proportional, Regressive; Types of Taxes: Direct and Indirect
- Incidence and Effects of Taxation

Unit 3: Public Expenditure

- Principles of Public Expenditure (PE); Classification and Effects of PE
- Theories of PE: Wagner's Law, Peacock-Wiseman
- Determinants of PE; Criteria for Public Investment
- crowding in effect and crowding out effect of public expenditure

Unit 4: Public Debt and Budget

- Public Debt: Meaning, Types, Sources
- Public Debt Management
- Budget: Meaning, Types, Components, Types of Deficits
- Fiscal Discipline and Consolidation, FRBM Act

Unit 5: Fiscal Policy and Fiscal Federalism

- Fiscal Policy: Meaning, Objectives and Mechanism
- Fiscal Federalism - Concept of Vertical and Horizontal Devolution
- Fiscal Federalism in India: Issues and Challenges
- Recent Finance Commission: Objectives and Recommendations

References:

1. Musgrave, R. A. & Musgrave, P. B. (2004), *Public Finance in Theory and Practice*. Fifth edition., TATA McGraw-Hill
2. B.P. Tyagi (2006), *Public Finance*, Meerut: Jai Prakash Nath Co.
3. Bhatia H.L.(1984) *Public Finance*, Ghaziabad: Vikas Publishing House Pvt.Ltd.
4. Dalton, H.,(2009) *Principles of Public Finance*, First edition., Routledge..
5. Stiglitz, J. E (2000), *Economics of the Public Sector*. W W Norton
6. Rangarajan, C. and D. K. Srivastava (2011), *Federalism and Fiscal Transfers in India*. New Delhi: Oxford University Press.
7. Open Source Online Materials & Videos: IGNOU, e-PG Pathasala, Economic Survey, SWAYM, Khan Academy etc.

Suggested Activity:

- Unit 1. Create a presentation highlighting the key principles of public finance.
- Unit 2. Organize a debate on the advantages and disadvantages of different tax Systems.
- Unit 3. Develop a budget proposal for a hypothetical government agency.
- Unit 4. Present a case study on the implementation of the Fiscal Responsibility and Budget Management Act in India
- Unit 5. Organize a panel discussion with experts in public finance to discuss the effectiveness of fiscal policy instruments in achieving economic stability and growth.

SEMESTER-IV
COURSE 10: PUBLIC FINANCE

Under CBCS New Regulation w.e.f. Academic Year 2026-27

Time:3 Hours

Max.Marks: 75

SECTION-A

Write Short Answer for any Five of the Following. Each Question carries 3 Marks (5X3= 15)

1. Principle of Maximum Social Advantage.
2. Public Goods, Merit Goods, Club Goods and Private Goods.
3. Benefit Theory and Ability to Pay Theory.
4. Incidence and Effects of Taxation.
5. Crowding-in Effect and Crowding-out Effect.
6. Determinants of Public Expenditure.
7. Types of Public Debt.
8. Fiscal Responsibility and Budget Management (FRBM) Act.
9. Vertical and Horizontal Devolution.
10. Objectives and Recommendations of the Recent Finance Commission.

SECTION-B

Answer the following Questions. Each Question Carries 12 Marks (5 X 12= 60)

- 11.(a) Define Public Finance. Explain its nature, scope, importance, and distinguish between Public Finance and Private Finance.

(or)

- (b). Explain the Principle of Maximum Social Advantage. Discuss different types of goods and explain the causes and remedies of market failure.

- 12 (a). Explain the sources of Public Revenue. Discuss the canons (principles) of taxation in detail.

(or)

- (b). Explain the theories of taxation. Discuss different tax systems and distinguish between direct and indirect taxes.

- 13 (a) Define Public Expenditure. Explain its principles, classification and effects.

(or)

- (b). Discuss Wagner's Law and Peacock-Wiseman Theory. Explain the determinants of Public Expenditure and criteria for Public Investment.

14 (a). Explain the meaning, types, sources and management of Public Debt.

(or)

(b). Define Budget. Explain its types, components, types of deficits and discuss the FRBM Act and Fiscal Discipline.

15 (a). Define Fiscal Policy. Explain its objectives, instruments and mechanism in promoting economic development.

(or)

(b). Explain the concept of Fiscal Federalism. Discuss Vertical and Horizontal Devolution and examine the issues, challenges and recommendations of the recent Finance Commission in India.



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