



February 2022

MONTH & YEAR

Staple this page on the top of answer book

उत्तर प्रिकेच्या मुख्यपृष्ठावर लावण्याकरिता

All India Institute of Local Self-Government

REGIONAL CENTRE, BELGAUM
Distance Education Centre

Diploma in Local Government Financial Management

HOME ASSIGNMENT - 1 SUBMISSION SHEET

Session : _____
(जनरेशन कर्तव्य Year of Registration)

SID No. :

Subject of : Municipal Finance & Resource Mobilisation

Date of Dispatch : _____
(पाठविलेली तारीख Date of Dispatch)

Paper No. : ONE

प्रश्न सोडविल्याचा तपशील
Question Response Record
(To be entered by students)

Sr. No.	Q. No. Responded	Page No. of Assignment Answer Book From	To
1	01	01	02
2	02	03	05
3	03	06	
4	04	07	08
5	05	09	

Total pages of assignment answer book _____

तपासनीसाच्या कार्यालयीन वापरा करता
Evaluation Record
(to be entered by evaluator)

Fig.	Marks	Words

Signature of Student

- Note: 1. The assignment should be sent to the Institute at Belgaum address under Registered AD Post & Postal receipt should be carefully preserved.
2. Please don't send any other communication with your assignment.

Signature & Name of Evaluator.

(FOR OFFICE USE ONLY | फक्त कार्यालयीन वापरा करिता)

Date of Receipt of
Assignment

Inward No.

Received by

Paper I

Municipal Finance & Resource Mobilisation

Q1. "There are specific provisions in the Constitution about powers, authority and responsibilities of municipalities" — Explain

Ans:- a) Power of Municipalities

i) Municipalities have basic power, much like an individual or private body. As public service providers municipalities can provide any service they consider necessary or desirable and recover the costs of those services. Municipalities also have authority to regulate people & property & to impose property taxes.

ii) The powers of a municipal corporation are not limited to providing for police payments, water light, sewers, docks and markets, rather it is held that a municipalities may minister to the comfort & health of its citizens, and may educate, instruct, please & amuse its inhabitants.

b) Authority of municipalities

i) The committees with such powers & authority as may be necessary to enable them to carry out the responsibilities conferred upon them ~~including~~ in relation to the matters listed in the twelfth schedule

c) Responsibility of municipality

i) Municipalities are responsible for services that aim to make our cities, towns & rural areas prosperous & healthy places to live & work in.

ii) This is the level of government that is usually based in a city, town or district (a municipality). Municipal governments are responsible for areas such as libraries, parks, community water systems, local police, roadways & parking.

Paper I

Q2. Explain in details, the constituents of public finance.

- Ans**
- i) Public finance is the approach of managing the public funds in the country's economy that plays the most important role in the development & growth of the nation, both domestically & internationally. It also affects every stakeholders of the country, whether a citizen or not.
 - ii) Every country needs money to run. The country's revenue is the collection of various taxes, returns on the investment, and the government expended from the collection of the revenue. Some expenditures are healthcare, medical facilities, salaries to the staff, members etc.
 - iii) All the revenue & expenditure are collected by or for the public. Hence, finance is called public finance, where the role of the people is large in terms of contribution.
 - iv) It deals with the revenue & expenditure at every stage the public is involved in, whether at the state or central levels.
 - v) Public finance management plays an important role in developing the economy as its growth largely depends on its proper utilization.
 - vi) Objectives of Public finance.
 - a) Managing public needs:- The main objective is managing the basic needs of the public like food, shelter, health, infrastructure and education. All these are the government's responsibilities so that the fundamental public needs are fulfilled and contribute to the development of the economy.
 - b) Economic Development & Proper management leads to economic development that leads to the nation's

growth.

c) Removes Inequality :- It also aims at removing the inequality by proper allocation of resources, i.e. providing relief to the poor by collecting taxes from the rich class people.

d) maintaining Price stability :- It helps control inflation by various packages & means for its development.

vii) Other objectives :-

a) Fulfilling the basic needs of the nation.

b) Generating employment.

c) Maintaining the currency value in the international market.

viii) Types of Public Finance :-

a) Public Revenues - Public revenue collects money from the public through direct & indirect taxes, penalties, fines, fees, maintenance etc.

b) Public Expenditure - Public expenditure is the expenditure for the public like infrastructural facilities, basic health facilities, medical & educational facilities etc.

c) Public Debt - When the expenditure exceeds the revenue, the government can take the help of debt to fulfill the country's needs and run the economy.

Financial Administration :- Financial administration is managing the public finance & addressing the needs of the government like salaries to the general electives, expenditure on maintenance of communal heritage etc.

ix) Components :-

- a) Collection of Revenue.
- b) Public Expenditure
- c) Preparation of budgets.
- d) Analyzing the need for Debt or Investment.

Paper I

Q3. "Taxes"

Paper I

Q4 Write in details on "Index of ability to pay (taxes)".

Ans- Three indices to measure ability of a person to pay tax to the Government are used.

These three indices are:-

- i) Property
- ii) Income
- iii) Expenditure

i) Property as Index of Ability to pay:-

The property or accumulated wealth was considered as the best index of ability to pay. Wealth was considered a better index of ability than income because in addition to being a source of income, wealth provided security & insurance against risk. But with the progress of industrial society & the development of a money economy, there was a shift from property to income as the index of ability.

ii) Income as Index of Ability to pay:-

Income has come to be accepted as an index or criterion of a person's ability to pay. A family's well-being will depend primarily upon the income received & hence, income after making due allowances for the number of children in the family etc is generally regarded as the best indicator of a person's ability to pay for purpose of taxation, gross income is considered as unsuitable for it is composed of cost elements, but net income is regarded as the better measure of taxpaying ability because it reflects the sum of net receipts over costs. Income has thus come to be accepted as the proper index of ability to pay. The modern society has become increasingly complex & the

income index of ability is not adequate. Expenditure on consumption is regarded as better index of ability.

iii) Expenditure as an index of Ability to pay:-

Consumption has been suggested as an index of calculating tax paying capacity on the assumption that such expenditure measure the true utility or satisfaction derived from income. It is true that income is earned to satisfy consumption needs but income is not utilized for consumption only. It will be recognized by all that saving which becomes investment is a very important aspect of spending, both significant & urgent. There is no sense in taking consumption expenditure as index of ability to pay & ignoring saving & investment expenditure. Thus it is agreed generally that Net Income is the best index of ability while supplementary indices can be both property & consumption expenditure.

Paper I

Q5. Whether direct and indirect taxes are complimentary Explain?

- Ans
- i) Direct taxes are the taxes that are levied on the income of individuals or organisations. They include income tax, corporate tax, wealth tax & inheritance tax.
 - ii) A direct tax is one that the tax payer pays directly to the government. These taxes cannot be shifted to any other person or group.
 - iii) Indirect taxes are those paid by consumers when they buy goods & services.
 - iv) An indirect tax is one that can be passed on or shifted to another person or group by the person or business that owes it.
 - v) Direct taxes reduce disposable income & consumption.
 - vi) Indirect taxes by raising prices reduce demand for goods & services.
 - vii) The direct tax is levied on persons income & wealth whereas the indirect tax is levied on a person who consumes the goods & services.