Government Budget and the Economy

Choose the correct alternative.

Question 1. Which of the following is a non-tax revenue? (a) export duty (b) import duty (c) dividends (d) excise duty

Answer

Answer: (c) dividends

Question 2.

The primary deficit in a government budget is

- (a) Revenue expenditure minus revenue receipts
- (b) Total expenditure minus total receipts
- (c) Revenue deficit minus interest payment
- (d) Fiscal deficit minus interest payment

▼ Answer

Answer: (d) Fiscal deficit minus interest payment

Question 3.

Direct tax is called direct because it is collected from the

- (a) the producers on goods produced
- (b) the sellers on goods sold
- (c) the buyers of goods
- (d) the income earners

▼ Answer

Answer: (d) the income earners

Question 4.

The primary deficit in a government budget will be zero, when _____

CLICK HERE

>>

🕀 www.studentbro.in

- (a) Revenue deficit is zero
- (b) Net interest payments are zero
- (c) Fiscal deficit is zero
- (d) Fiscal deficit is equal to interest payment

▼ Answer

Answer: (d) Fiscal deficit is equal to interest payment

Get More Learning Materials Here :

Question 5. Which one of these is a revenue expenditure? (a) Purchase of an asset

- (b) Loans advanced
- (c) Subsidies
- (d) Expenditure on acquisition of land

▼ Answer

Answer: (c) Subsidies

Question 6.

Which one of the following is a combination of direct taxes?

- (a) Excise duty and wealth tax
- (b) Service tax and income tax
- (c) Excise duty and service tax
- (d) Wealth tax and income tax

Answer

Answer: (d) Wealth tax and income tax

Question 7.

Which of the following statement is true?

- (a) Loan from IMF is a revenue receipt.
- (b) Higher revenue deficit necessarily leads to higher fiscal deficit.
- (c) Borrowings by the government represent a situation of fiscal deficit.
- (d) Revenue deficit is the excess of capital received over the revenue receipts.

Answer

Answer: (c) Borrowings by the government represent a situation of fiscal deficit.

Question 8.

Which of the following is not a revenue receipt?

- (a) Recovery of loans
- (b) Foreign grants
- (c) Profit of public enterprises
- (d) Wealth tax

▼ Answer

Answer: (a) Recovery of loans

Question 9. Primary deficit is borrowing requirements of the government for payment(s) (a) of interest (b) other than interest



(c) of all types(d) that are specific

▼ Answer

Answer: (b) other than interest

Question 10.

Which of the following sources of receipts in the government budget increases its liabilities? (a) Direct taxes

- (b) Recovery of loans
- (c) Borrowings
- (d) Dividend from PSUs

▼ Answer

Answer: (c) Borrowings

Question 11.

Which of the following is an indirect tax?

- (a) Profit tax
- (b) Wealth tax
- (c) Custom duty
- (d) Gift tax

▼ Answer

Answer: (c) Custom duty

Question 12.

Borrowing in the government budget is

- (a) revenue deficit
- (b) fiscal deficit
- (c) primary deficit
- (d) deficit in taxes

▼ Answer

Answer: (b) fiscal deficit

Fill in the blanks with the correct word.

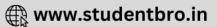
Question 13. Any debt from abroad involves a _____

▼ Answer

Answer: burden

Get More Learning Materials Here :





Question 14. Deficit budget is that in which total expenditure is ______ total receipts.

▼ Answer

Answer: greater than

Question 15.

______ tax is that in which final burden of the tax falls on the person who pays it.

Answer

Answer: Direct

Question 16. Government expenditure on Mid-Day Meal scheme running in government (state-run) schools is a type of ______ expenditure in the government budget.

Answer

Answer: revenue

Question 17. The formula to calculate primary deficit is _____

▼ Answer

Answer: Fiscal Deficit – Interest Payments

State whether the following statements are True or False. Give reasons.

Question 18. Indirect taxes are not convenient to realize.

▼ Answer

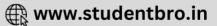
Answer: False Indirect taxes are easy to realize since they are included in the prices of commodities.

Question 19. Payment of salaries to the government employees is a capital payment.

▼ Answer

Answer: False Payment of salary is a revenue payment.





Question 20. Expenditure made on the establishment of the Metro rail line in Delhi is a capital expenditure.

Answer

Answer: True This expenditure has created assets.

Question 21. Public borrowing is a capital receipt.

▼ Answer

Answer: True It creates liability for the government.

Question 22. Recovery of loan is a revenue receipt.

Answer

Answer: False It is a capital receipt as it reduces the asset of the government.

Question 23. Sales tax is an indirect tax.

Answer

Answer: True Its burden can be shifted on others.

Question 24. Service tax is a direct tax.

▼ Answer

Answer: False It is an indirect tax as its burden can be shifted.

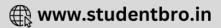
Question 25. Grants by the government are treated as revenue expenditure.

Answer

Answer: True All grants are treated as revenue expenditure of the government, even though some of







them may lead to asset formation.

Question 26.

Excess of capital expenditure over capital receipt is called revenue deficit.

▼ Answer

Answer: False It is called a deficit in the capital budget.

Match the alternatives given in Column II with respective terms in Column I.

Question 27.

Column I	Column II
(i) Revenue Expenditure	(a) Recovery of loans
(ii) Capital Expenditure	(b) Tax revenue
(iii) Revenue Receipts	(c) Neither creates assets nor reduces liabilities
(iv) Capital Receipts	(d) Income tax
(v) Direct Tax	(e) Revenue receipt
(vi) Indirect Tax	(f) Excise duty
(vii) Borrowings from IMF	(g) Capital receipt
(viii) Dividends paid to the Government by Commercial Banks	(h) Either creates assets or reduces liabilities

Answer

Answer:

Column I	Column II
(i) Revenue Expenditure	(c) Neither creates assets nor reduces liabilities
(ii) Capital Expenditure	(h) Either creates assets or reduces liabilities
(iii) Revenue Receipts	(b) Tax revenue
(iv) Capital Receipts	(a) Recovery of loans
(v) Direct Tax	(d) Income tax

(vi) Indirect Tax	(f) Excise duty
(vii) Borrowings from IMF	(g) Capital receipt
(viii) Dividends paid to the Government by Commercial Banks	(e) Revenue receipt



