

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 _____

- (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

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

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

ISC COACHING CENTRE