INDIAN SCHOOL AL WADI AL KABIR

Class: XII	**Department: Commerce**
Worksheet No:10	**Topic: GOVERNMENT BUDGET**

MCQ:

1. Which of the following is a non-tax receipt?
   a. Gift tax
   b. Sales tax
   c. Donation
   d. Excise duty
2. A tax, burden of which can be shifted on to others is called:
   a. Indirect tax
   b. Direct tax
   c. Wealth tax
   d. None of these
3. Revenue earned by the Government from the property without any legal heir is called:
   a. Donation
   b. Special assessment
   c. Gift tax
   d. escheat
4. Which of the following is an indirect tax?
   a. GST
   b. Wealth tax
   c. Income tax

d. None of these

5. Which of the following is a direct tax?

    a. Excise duty

    b. Customs duty

    c. Sales tax

    d. Income tax

6. Gift tax is a paper tax because

    a. It is an indirect tax.

    b. It does not have significant revenue yield.

    c. It is a direct tax.

    d. Both a and c

7. Which of the following are capital receipts of the Government?

    a. Recovery of loans

    b. Borrowings

    c. Disinvestment

    d. All of these

8. The difference between fiscal deficit and interest payment is called:

    a. Revenue deficit

    b. Primary deficit

    c. Budget deficit

    d. Capital deficit

1 Mark Question:
Information and concept-based questions:

1. What is a fiscal year?
2. What are revenue receipts and capital receipts?
3. Why are subsidies treated as revenue expenditures?
4. Define tax.
5. Define direct tax. Give two examples of direct taxes.
6. Define indirect tax. Give two examples of indirect taxes.

7. What is the significance of measuring fiscal deficit?
8. Why the borrowings by the government are called capital receipts?
9. What is budgetary deficit?
10. What is deficit financing?

A: Printing new currency notes by central bank to meet the budgetary deficit is called deficit financing.

REFER TO NOTES OF GOVERNMENT BUDGET FOR QN 1 TO 9

Reason-Based questions:

State true/False:

11. Revenue receipts do not impact asset and liability status of the Government.

A: True. Revenue receipts are those receipts which do not cause reduction in assets or increase in liability of the Government.

12. Balanced budget is the budget in which revenue receipts=revenue expenditures.

A: False. Balanced budget is the budget in which total receipts=total expenditures.

13. Capital receipts add to liabilities of the government.

A: true. Capital receipts are those receipts which cause a reduction in assets or increase in liability of the Government.

14. Loans offered by the central government to the state Governments can be treated as capital expenditures by the central government.

A: False. As convention, loans offered by the central government to the state Governments is treated as revenue expenditures by the central government, even when some grants may result in asset creation.

Comprehension of subject matter:

15. Why is payment of interest a revenue expenditure?

A: Because it does not create any asset or reduces the liability of the Government.

16. Why are borrowings a capital Receipt?

A: Because it increases the liability of the Government.

Application based questions:

17. Revenue deficits can be managed through borrowing or disinvestment. But fiscal deficit can be managed only through borrowing. Do you agree? Give reasons.

A: The statement is true. Because disinvestment is already included as an item of capital receipt in the estimation of fiscal deficit. So that, borrowing is the only window available to manage fiscal deficit. On the other hand, estimation of revenue d teficit does not account for borrowing as well as disinvestment. So that, both these windows are available to manage revenue deficit.

18. What is a debt trap?

It is vicious circle in which the government takes new loans to repay its earlier loans/interest.

19. What is balanced budget multiplier?

It is the ratio of increase in income to increase in government expenditure financed by taxes.

20. Budgetary deficit points to failure of the Government to manage its budget. Defend or refute.

A: The above statement is incorrect. Budgetary deficit reflecting borrowing by the Government may be a part of the strategy of the Government to accelerate the pace of growth or to achieve macro stability of the economy.

Numericals:

21. Find borrowing by the Government if payment of interest is estimated to be Rs 15000 crores.

A: Int payment = 25% of primary deficit

= 100/25 X15000 = 60000

Primary deficit = Fiscal deficit – Interest payment

Fiscal Deficit = Primary deficit + Interest payment = 60000 + 15000 = 75000

Borrowing = Fiscal deficit = 75000

22. Revenue deficit is estimated to be Rs 20000 crores and borrowing is estimated to be Rs 15000 crores. If expenditure on interest payment is estimated to be 50% of the revenue deficit, find fiscal deficit and primary deficit.

A: Fiscal deficit = Borrowing = 15000

Interest payment = 50% of revenue deficit

= 50% of 20000 crore = 10000

Primary deficit = Fiscal deficit – interest payment = 15000 – 10000 = 5000