



INDIAN SCHOOL AL WADI AL KABIR

DEPARTMENT OF COMMERCE

GOVERNMENT BUDGET AND THE ECONOMY

1. An annual statement of the estimated receipts and expenditure of the government over the fiscal year is known as
 - (A) Budget
 - (B) Income estimates
 - (C) Account
 - (D) Expenditure
2. Which of the following is an example of direct tax?
 - (A) VAT
 - (B) Excise duty
 - (C) Entertainment tax
 - (D) Wealth tax
3. What is the period of a fiscal year?
 - (A) 1 April to 31 March
 - (B) 1 January to 31 December
 - (C) 1 March to 28 February
 - (D) None of these
4. When government spends more than it collects by way of revenue, it incurs _____
 - (A) Budget surplus
 - (B) Budget deficit
 - (C) Capital expenditure
 - (D) Revenue expenditure
5. The fiscal deficit is the difference between the government's total expenditure and its total receipts excluding _____
 - (A) Interest
 - (B) Taxes
 - (C) Spending
 - (D) Borrowings
6. Which of the following is the component of a budget?
 - (A) Fiscal budget
 - (B) Capital budget

- (C) Both of these
- (D) None of these

7. What is the annual statement of the government's fiscal revenue and fiscal expenditure known?
- (A) Budget
 - (B) Fiscal Budget
 - (C) Capital Budget
 - (D) All of these
8. How many types of revenue receipts are there?
- (A) 2
 - (B) 3
 - (C) 4
 - (D) 6
9. The amount collected by the government as taxes and duties is known as _____
- (A) Capital receipts
 - (B) Tax revenue receipts
 - (C) Non-tax revenue receipts
 - (D) All of these
10. The amount collected by the government in the form of interest, fees, and dividends is known as _____
- (A) Tax-revenue receipts
 - (B) Capital receipts
 - (C) Non-tax revenue receipts
 - (D) None of these
11. The non-tax revenue in the following is:
- (A) Export duty
 - (B) Import duty
 - (C) Dividends
 - (D) Excise
12. Which is a component of the Budget Receipt?
- (a) Revenue Receipt
 - (b) Capital Receipt
 - (c) Both (a) and (b)
 - (d) None of the above
13. The expenditures which do not create assets for the government is called :
- (a) Revenue Expenditure
 - (b) Capital Expenditure
 - (c) Both (a) and (b)
 - (d) None of the above

14. Capital budget consist of:
- (a) Revenue Receipts and Revenue Expenditure
 - (b) Capital Receipts and Capital Expenditure
 - (c) Direct and Indirect Tax
 - (d) None of these
15. Which type of expenditure is made in bridge construction?
- (a) Capital Expenditure
 - (b) Revenue Expenditure
 - (c) Both (a) and (b)
 - (d) None of the above
16. Which of the following budget is suitable for developing economies?
- (a) Deficit Budget
 - (b) Balanced Budget
 - (c) Surplus Budget
 - (d) None of these
17. Which of the following statement is true?
- (a) Fiscal deficit is the difference between total expenditure and total receipts
 - (b) Primary deficit is the difference between total receipt and interest payments
 - (c) Fiscal deficit is the sum of primary deficit and interest payment
 - (d) All of these
18. Which of the following is not a revenue receipt?
- (a) Recovery of Loans
 - (b) Foreign Grants
 - (c) Profits of Public Enterprise
 - (d) Wealth Tax
19. Which of the following is a correct measure of the primary deficit?
- (a) Fiscal deficit minus revenue deficit
 - (b) Revenue deficit minus interest payments
 - (c) Fiscal deficit minus interest payments
 - (d) Capital expenditure minus revenue expenditure
20. Budget is presented in the Parliament by:
- (a) Prime Minister
 - (b) Home Minister
 - (c) Finance Minister
 - (d) Defence Minister

Case Based questions:

CASE STUDY:1

Total national income of the country goes to either the private sector, that is, firms and households (known as private income) or the government (known as public income). Out of private income, what finally reaches the households is known as personal income and the amount that can be spent is the personal disposable income. The government sector affects the personal disposable income of households by making transfers and collecting taxes. It is through this that the government can change the distribution of income and bring about a distribution that is considered 'fair' by society.

21. Government affects the disposable income of the individuals by:
 - a. Taxation
 - b. Transfers
 - c. Both a and b
 - d. Neither taxation nor transfers

22. The function described above with respect to Government Budget is called:
 - a. Allocation
 - b. Redistribution**
 - c. Stabilization
 - d. All of the above

23. In order to bring a fair distribution of income in a society which has substantial income inequality, the Government will impose _____ taxation:
 - a. regressive.
 - b. proportional.
 - c. progressive.**
 - d. Will eliminate taxes altogether

CASE STUDY:2

Read the following article and answer the questions given below

India has scaled back expenditure, including on productive assets that aid economic growth, as the government is confronted with the risk of its budget deficit blowing out. Capital expenditure – the Money spent on creating, maintaining, or improving fixed assets like roads and factories- stood at 40% of the budgeted amount in the six months to September, down from 55.5% in the year-ago Period, data from the government's Controller General of Accounts show. The overall spending during the period was 49% of the budget aim compared to 53% last year. That's despite prime minister Narendra Modi's government outlining measures worth more than 21 trillion rupees (\$ 281billion) to counter the economic and social

fallout of the Covid-19 outbreak. A closer look at the numbers show the bulk of the spending was directed toward the poor and the farmers, with crucial sectors such as coal, power, shipping and steel receiving less than a third of their annual budget allocation. Spending on capital assets has so far trailed the so-called revenue expenditure that includes interest payments and overheads such as salaries, the data released last week showed. Modi's government placed spending curbs on some ministries from April through December to manage its cash flow.

24. A reduction in capital expenditure i.e., the money spent on creating maintaining or improving fixed assets is done to reduce the risk of _____deficit (revenue/budget). (Choose the correct alternative)

25. Allocation of resources in the budget in the six months to September 2020 is directed towards _____ (Choose the correct alternative)

- a) economic upliftment of the economy
- b) social upliftment of the economy
- c) (c)the poor and the farmers
- d) all of these

26. Capital expenditure refers to the estimated expenditure of the government in a fiscal year which _____ (reduces/increases) liabilities of the government. (Choose the correct alternative)

27. Identify which of the following statements is false: (Choose the correct alternative)

- a) The government can finance its budgetary deficit through borrowings, disinvestment and deficit financing
- b) Fiscal deficit equals borrowings
- c) Recovery of loans is a revenue receipt
- d) Interest on loans is a non-tax revenue receipt

Assertion-Reasoning Questions

Read the following statements Assertion (A) and Reason (R). Choose one of the correct alternative given below:

28. Assertion: The government uses fiscal instruments to improve the distribution of income
Reason: Lower taxes can be imposed on rich people and higher taxes can be imposed on poor people.

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

29. Assertion: Equitable distribution of income is a way to social justice

Reason: Monetary policy uses the instruments of taxes and subsidy to establish equitable Distribution.

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.

- C.) A is true but R is false.
- D.) A is false but R is true.

30. Assertion: Budget is used as an instrument to combat deflation and inflation

Reason: Budget plays a vital role in establishing economic stability

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

31. Assertion: Budget is used as an instrument an economic stability

Reason: Budget controls the level of aggregate demand

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

32. Assertion: Government initiative to increase the level of aggregate of demand by increasing money supply in the economy

Reason: Government increase the taxation and reduced the public expenditure during the Pandemic.

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

33. Assertion: International prices of crude oil are continuously falling

Reason : India subsidizes domestic consumers of petroleum products

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

34. Assertion: Continuation of covid -19 pandemic will affect union budget

Reason: The Revenue expenditure of government increases

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.

35. Assertion: In the process of development, construction of dams, new schools' new plants, and repayment of loans is essential.

Reason: Capital expenditure creates the assets of the government and causes reduction in the liabilities of the government

- A.) Both A and R are true and R is the correct explanation of A.
- B.) Both A and R are true but R is not the correct explanation of A.
- C.) A is true but R is false.
- D.) A is false but R is true.