

1. The amount received 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

[Answer](#)

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2. Financial year runs from
- a) 1 April to 31 March
  - b) 1 January to 31 December
  - c) 1 March to 28 February
  - d) None of these

[Answer](#)

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3. The amount received by the Government in the form of taxes and duties is known as \_\_\_\_\_
- a) Capital receipts
  - b) Tax revenue receipts
  - c) Non-tax revenue receipts
  - d) All of these

[Answer](#)

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4. What is the objective of Government Budget.
- a) Economic Development
  - b) Balanced Regional Development
  - c) Redistribution of Income and Wealth
  - d) All the above

[Answer](#)

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5. The expenditures which neither create an asset, nor reduce any liability for the Government is called :
- a) Revenue Expenditure
  - b) Capital Expenditure
  - c) Both (a) and (b)
  - d) None of the above

[Answer](#)

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6. Which deficit indicates the borrowing needs of a Government?
- a) Budgetary deficit
  - b) Revenue deficit
  - c) Primary deficit
  - d) Fiscal deficit

[Answer](#)

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7. Which of the following is not an objective of Government budget?
- a) Redistribution of income and wealth
  - b) Export promotion
  - c) Social welfare
  - d) Economic Stability

[Answer](#)

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8. What is the period for which a Government budget is prepared?
- a) Two years
  - b) One Year
  - c) Five years
  - d) None of these

[Answer](#)

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9. What does a Government budget represent?
- a) Actual revenue and estimated expenditure
  - b) Estimated revenue and actual receipt

- c) Estimated receipt and estimated expenditure
- d) All of these

[Answer](#)

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### **Government Budget and the Economy Class 12 MCQs**

10. Corporate tax and income tax are examples of which tax ?
- a) Indirect tax
  - b) Direct tax
  - c) Wealth Tax
  - d) None of these

[Answer](#)

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11. Disinvestment is which type of receipt for the Government?
- a) Capital Receipt
  - b) Revenue Receipt
  - c) Both a and b
  - d) None of these

[Answer](#)

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12. Tax whose burden cannot be shift is termed as
- a) Indirect tax
  - b) Direct tax
  - c) Both a and b
  - d) None of these

[Answer](#)

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13. The sources to meet fiscal deficit are
- a) Borrowings from public
  - b) Borrowings from external sources
  - c) Deficit financing
  - d) All of these

Answer

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14. Which Budget is prepared by the Central Government.

- a) General Budget
- b) Zero based Budget
- c) Union Budget
- d) None of these

Answer

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15. Components of the budget are

- a) Revenue Budget
- b) Capital Budget
- c) Both a and b
- d) None of these

Answer

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16. Which of the following is treated as Capital receipt

- a) Recovery of Loans
- b) Interest received on loans
- c) Gifts and Grants
- d) Escheats

Answer

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17. Receipts from Post Office deposits and Kisan Vikas Patras is treated as

- a) Capital receipt
- b) Revenue receipt
- c) Both a and b
- d) None of these

Answer

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18. Which expenditure will either create an asset or reduce the liability of the Government?

- a) Revenue expenditure
- b) Capital expenditure
- c) Capital receipt
- d) Revenue receipt

[Answer](#)

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19. Subsidies and expenditure on scholarship are examples of :

- a) Revenue expenditure
- b) Capital expenditure
- c) Capital receipt
- d) Revenue receipt

[Answer](#)

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### **Government Budget and the Economy Class 12 MCQs**

20. If the Government estimated receipts are less than estimated expenditure, then it is termed as

- a) Deficit Budget
- b) Surplus Budget
- c) Balanced Budget
- d) All of these

[Answer](#)

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21. Revenue deficit can be reduced by

- a) Reducing Government expenditure
- b) Increasing source of revenue
- c) Reducing tax evasion
- d) All of these

[Answer](#)

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22. \_\_\_\_\_ is an annual statement showing estimated receipt and expenditure of the Government, during a fiscal year.

- a) Government Budget
- b) Government Receipt
- c) Government Payment
- d) None of these

Answer

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23. Union Budget is the budget of \_\_\_\_\_.

- a) State Government
- b) Central Government
- c) Union Territory
- d) All of these

Answer

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24. \_\_\_\_\_ is / are objective of Government budget.

- a) Economic Stability
- b) Regional equality
- c) Reduction of poverty
- d) Both a and b

Answer

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25. The components of Government budget are \_\_\_\_\_

- a) Revenue Budget
- b) Capital Budget
- c) Both A and B
- d) None of these

Answer

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26. \_\_\_\_\_ receipts are recurring in nature.

- a) Revenue
- b) Capital
- c) Both a and b
- d) None of these

[Answer](#)

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27. \_\_\_\_\_ receipts are non-recurring in nature.

- a) Revenue
- b) Capital
- c) Both a and b
- d) None of these

[Answer](#)

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28. \_\_\_\_\_ revenues and \_\_\_\_\_ revenues are the sources of revenue receipt.

- a) Tax
- b) Non- tax
- c) Both a and b
- d) None of these

[Answer](#)

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29. Revenue receipts neither create \_\_\_\_\_ nor reduce, the \_\_\_\_ of the Government.

- a) liability, An asset
- b) An Asset, liability
- c) Revenue, Expenditure
- d) None of these

[Answer](#)

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30. Capital gains tax is an example of \_\_\_\_\_ tax.

- a) Direct tax
- b) Indirect tax

- c) Both a and b
- d) None of these

Answer

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31. Interest and escheats are examples of \_\_\_\_\_ receipt.
- a) Tax revenue
  - b) Non- tax revenue
  - c) Both a and b
  - d) None of these

Answer

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32. \_\_\_\_\_ either creates a liability, or reduce the Asset of the Government.
- a) Revenue receipt
  - b) Capital receipt
  - c) Revenue expenditure
  - d) Capital expenditure

Answer

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33. In case of some capital receipts, there is a \_\_\_\_\_ to return the amount with interest at a future date
- a) Future obligation
  - b) Contingent obligation
  - c) Past obligation
  - d) None of these

Answer

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### **Government Budget and the Economy Class 12 MCQs**

34. \_\_\_\_\_ is an example of capital receipt .
- a) Interest
  - b) Escheats



- c) Borrowings
- d) All of these

Answer

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35. When the estimated receipt is equal to estimated expenditure, the budget is said to be a \_\_\_\_\_.

- a) Surplus
- b) Deficit
- c) Balanced
- d) None of these

Answer

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36. Revenue expenditure is \_\_\_\_ where as capital expenditure is \_\_\_\_ in nature.

- a) Non-recurring ,Recurring
- b) Recurring, Non-recurring
- c) Both a and b
- d) None of these

Answer

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37. The formula for fiscal deficit is \_\_\_\_\_.

- a) Fiscal Deficit = Total expenditure – Total receipts excluding borrowings
- b) Fiscal Deficit = Total expenditure – Total receipts
- c) Fiscal Deficit = Total expenditure – Total receipts excluding Capital receipts
- d) None of these

Answer

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38. Revenue deficit is computed as \_\_\_\_\_.

- a) Revenue Deficit = Revenue expenditure – Total receipts
- b) Revenue Deficit = Revenue expenditure – Revenue receipts

- c) Revenue Deficit = Revenue expenditure – Revenue receipts  
d) None of these

Answer

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39. Primary deficit is computed as \_\_\_\_\_.  
a) Primary Deficit = Revenue Deficit – Interest payment  
b) Primary Deficit = Fiscal Deficit – Interest received  
c) Primary Deficit = Fiscal Deficit – Interest payment  
d) None of these

Answer

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40. A zero primary deficit indicates forced borrowings of the Government , due to interest commitment on \_\_\_\_\_.  
a) Earlier Loans  
b) Future Loans  
c) Both a and b  
d) None of these

Answer

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41. Read the following statement given below and choose the correct alternative  
Statement 1- Economic stability refers to absence of fluctuation in price of goods and services  
Statement 2- Economic instability discourages investment  
a) Both are correct  
b) Both are wrong  
c) Statement 1 is correct and statement 2 is wrong  
d) Statement 2 is correct and statement 1 is wrong

Answer

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42. Read the following statement given below and choose the correct alternative  
Statement 1- Government imposes high rate of income tax on higher income

groups

Statement 2- Low income groups pay high amount of tax

- a) Both are correct
- b) Both are wrong
- c) Statement 1 is correct and statement 2 is wrong
- d) Statement 2 is correct and statement 1 is wrong

[Answer](#)

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### **Government Budget and the Economy Class 12 MCQs**

43. Read the following statement given below and choose the correct alternative

Statement 1- In case of inflation, government decreases rate of tax

Statement 2- In case of deflation, government increases rate of tax

- a) Both are correct
- b) Both are wrong
- c) Statement 1 is correct and statement 2 is wrong
- d) Statement 1 is wrong and statement 2 is correct

[Answer](#)

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44. Read the following statement given below and choose the correct alternative

Statement 1- Revenue deficit occurs when Revenue expenditure is more than revenue receipts

Statement 2- Fiscal deficit is the excess of budget expenditure over budget receipts

- a) Both are correct
- b) Both are wrong
- c) Statement 1 is correct and statement 2 is wrong
- d) Statement 2 is correct and statement 1 is wrong

[Answer](#)

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45. Read the statement given below and choose the correct alternative  
 Statement 1- Fiscal deficit includes borrowings to create loan  
 Statement 2- Fiscal deficit depicts borrowings required to meet current year budget expenditure
- Both are correct
  - Both are wrong
  - Statement 1 is correct and statement 2 is wrong
  - Statement 1 is wrong and statement 2 is correct

[Answer](#)

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46. Choose the correctly matched pair from the given alternative

Column A	Column B
A. Income tax	1. The tax on corporate profits
B. Corporate tax	2. The tax on income of individuals
C. Wealth tax	3. The tax on wealth of individual

- A-1
- B-2
- C-3

[Answer](#)

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47. Choose the correctly matched pair from the given alternative

Column A	Column B
A. Government takes resort to a surplus budget.	1. Reduces liability
B. Revenue expenditure	2. To solve the problem of excess demand

C. Lending	3. Creates assets
D. Repayment of loan	4. Expenditure on government hospitals and schools

- a) A-3
- b) B-2
- c) C-4
- d) D-1

Answer

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48. Choose the correctly matched pair from the given alternative

Column A	Column B
1. Surplus budget	A. Used to correct inflation
2. Deficit budget	B. Budget expenditure= Budget receipt
3. Balanced budget	C. Revenue deficit and fiscal deficit
4. Types of deficit budget	D. Used by under developed countries

- a) A-1
- b) B-2
- c) C-3
- d) D-4

Answer

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49. "Prior to 1991, the central government owned 100% of the shares of public sector undertakings. Consequently it started selling its shares to general public and financial institutions". This situation is known as

- a) Plan expenditure
- b) Disinvestment of PSUs

- c) Borrowing
- d) Mismanagement

[Answer](#)

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50. "Loans recovered by the Central Government from state and local government are capital receipts because"

- a) It creates liability
- b) Reduce unnecessary expenditure
- c) Of fiscal mismanagement
- d) It reduces assets

[Answer](#)

---

### **Government Budget and the Economy Class 12 MCQs**

51. Read the following statement given below and choose the correct alternative

Assertion (A) – To increase the rate of investment the government makes Direct investment in public sector units.

Reason (R ) – Investment by the government induces the private sector to make investment.

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is false

[Answer](#)

---

52. Read the following statement given below and choose the correct alternative

Assertion (A)- Private sector is not interested to enter in production areas such as free education and health facilities

Reason ( R)- Production areas incurs huge investment and low profit

- a) Both assertion and reason are true. Reason is not the correct explanation of assertion
- b) Both assertion and reason are true. Reason is the correct explanation of assertion

- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

Answer

---

53. Read the following statement given below and choose the correct alternative

Assertion (A)- Tax receipt from production of unsocial goods is used to grant subsidy for production of necessary goods.

Reason (R) - Government offers various types of concession on these products

- a) Both assertion and reason are true. Reason is not the correct explanation of assertion
- b) Both assertion and reason are true. Reason is the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

Answer

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54. Read the following statement given below and choose the correct alternative

Assertion (A)- Government imposes high rate of income tax on higher income groups.

Reason (R)- Low income groups are unable to pay high taxes

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Assertion is true but reason is not
- c) Both assertion and reason are true. Reason is not the correct explanation of assertion
- d) Reason is true but assertion is not

Answer

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55. Read the following statement given below and choose the correct alternative

Assertion (A)- Government increases rate of tax and imposes new taxes and reduces expenditure.

Reason ( R)- Government take resort of deficit budget to solve the problem of deflation

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

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56. Excess of budget expenditure over budget receipts excluding\_\_\_\_\_ is called fiscal deficit. ( Fill in the blank with correct alternative)

- a) Borrowings
- b) Revenue receipts
- c) Revenue expenditure
- d) Capital expenditure

[Answer](#)

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57. Read the following statement given below and choose the correct alternative

Statement 1- Fiscal deficit indicates requirement of borrowing to meet budget expenditure

Statement 2- Fiscal deficit indicates management and discipline of government

- a) Both are correct
- b) Both are correct
- c) Statement 1 is correct and statement 2 is wrong
- d) Statement 1 is wrong and statement 2 is correct

[Answer](#)

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58. Choose the correctly matched pair from the following



Column A	Column B
A. Borrowings of government from foreign government	1. Leads to interference in formulation of domestic policies
B. Revenue expenditure	2. Reduces investment capacity of future generations
C. Burden to pay loan along with interest	3. Considered non consumption expenditure

- a) A-1
- b) B-2
- c) C-3

[Answer](#)

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59. Read the following statement given below and choose the correct alternative

Assertion (A)- As a result of fiscal deficit, government gets caught in an unending cycle of debt trap

Reason (R )- To meet its expenses government increases their borrowing which eventually increases the fiscal deficit

- a) Both assertion and reason are true. Reason is the correct explanation of assertion
- b) Both assertion and reason are true. Reason is not the correct explanation of assertion
- c) Assertion is true but reason is not
- d) Reason is true but assertion is not

[Answer](#)

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60. Fiscal deficit is the sum of ( Choose the correct alternative)

- a) Primary deficit and Interest payment
- b) Borrowings and disinvestment
- c) Expenditure and receipts
- d) Capital and revenue expenditure

[Answer](#)

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**Read the given case study and answer the questions given below.**

1. Revenue Budget: Revenue Budget contains the two sorts of the income receipts of the public authority, i.e., Tax income and Non duty income ; and the Revenue use.

(I) Revenue Receipts: These are the receipts that neither make any obligation nor decrease in resources of the public authority. It incorporates charge incomes like personal duty, company charge and non-charge income like fines and punishments, unique appraisal, escheat and so forth

(ii) Revenue Expenditure: A consumption that neither makes any resources nor causes decrease of obligation is called income use.

(b) Capital Budget: Capital financial plan contains capital receipts and capital consumption of the public authority.

(I) Capital Receipts: Government receipts that either make liabilities (of installment of advance) or decrease resources (on disinvestment) are called capital receipts. Capital receipts incorporate things, which are non-dreary and non-everyday practice in nature.

(ii) Capital Expenditure: This consumption of the public authority either makes physical or monetary resources or decrease of its risk. Securing of resources like land, hardware, gear, its advances and advances to state governments and so on are its models.

2. Budget receipts (government receipt): Budget receipt alludes to the assessed receipts of the public authority from different sources during a monetary year. It shows the sources from where the public authority expects to get cash to back the consumption.

61. Which of the following statements are correct. ( Choose the correct alternative)

- a) Budget receipts are government receipts
- b) Capital expenditure creates assets
- c) Revenue expenditure doesn't causes reduction in liability
- d) All of the above

[Answer](#)

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62. \_\_\_\_\_ either creates liabilities or reduces assets. ( Fill in the blank with correct alternative)

- a) Capital receipts
- b) Revenue receipts
- c) Capital expenditure
- d) Revenue expenditure

Answer

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63. \_\_\_\_\_ are the estimated receipts of the government from various sources during a fiscal year. ( Fill in the blank with correct alternative)

- a) Budget expenditure
- b) Capital expenditure
- c) Budget receipts
- d) Revenue receipts

Answer

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64. Which of the following are true for revenue expenditure. ( Choose the correct alternative)

- a) Creates assets
- b) Reduces liability
- c) Do not reduce liability
- d) All of the above

Answer

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65. Which of the following are examples of revenue receipts. ( Choose the correct alternative)

- a) Income tax
- b) Corporation tax
- c) Escheats
- d) All of the above