INDIAN SCHOOL AL WADI AL KABIR

Class: XII	Department: Commerce
Worksheet No: 1	Topic: Government Budget

I. MULTIPLE CHOICE QUESTIONS

1. Identify the capital receipt.
   a. Tax received
   b. External grant received
   c. Dividend received
   d. Disinvestment

2. Fiscal deficit in a Government budget refers to:
   a. Shortfall in taxes
   b. Shortfall in disinvestment
   c. Disinvestment requirement
   d. Borrowings requirement

3. Primary deficit in 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

4. Assertion : Fines and penalties are a source of non-tax revenue for the government.
   Reason : A fine of Rs. 500 was imposed on not wearing a mask.
   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.

5. Assertion: Highway and road works are announced in Kerala, Tamil Nadu and West Bengal in budget 2021.
   Reason: Such an announcement will increase the revenue expenditure 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.

6. A government shows a primary deficit of Rs. 4400 crore. The revenue expenditure on interest payment is Rs. 400 crore. How much is the fiscal deficit?

(a) 4000 crore (b) 4800 crore
(c) 4400 crore (d) -400 crore

7. In a government budget, the revenue deficit is Rs. 50,000 crore and borrowings are Rs. 75,000 crores. How much is the fiscal deficit?

(a) 50000 crore (b) 75000 crore
(c) 25000 crore (d) -25000 crore

8. When the government tries to meet the gap of public expenditure and public revenue through borrowing from the banking system, it is called

(a) deficit financing (b) debt financing
(c) credit financing (d) none of them

9. Among the following types of taxes, find the indirect one.

(a) Gift tax (b) Corporate income tax
(c) VAT (d) Wealth tax

10. Payment of interest is ………..

(a) revenue expenditure (b) capital expenditure
(c) primary deficit (d) fiscal deficit

II. i) <u>Comment on the following statements as true or false, with a reason.</u>

A) Construction of school building is a revenue expenditure of the government –

B) Gift tax is a capital receipt –

C) Dividend on investment made by government is a revenue receipt.

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

E) Balanced budget is the budget in which revenue receipts=revenue expenditures.

F) Capital receipts add to liabilities of the government.

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

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

ii) **<u>Categorize the following items into revenue receipt, capital receipt, revenue expenditure and capital expenditure. Give reasons for your answer.</u>**

A) Receipts from sale of shares of a public sector undertaking –
B) Borrowing from public –
C) Profit of public sector undertakings –
d) Income tax received by the government –

III. Numericals:

1. From the given information, calculate (a) Revenue Receipts (b) Fiscal Deficit and (c) Primary Deficit.

Particulers	(Rs. in Crore)
(i) Revenue Deficit	6,000
(ii) Revenue Expenditure	11,000
(iii) Capital Expenditure	14,000
(iv) Non-debt Creating Capital Receipts	8,000
(v) Interset Payments	7,000

a) Revenue receipts = 5000
b) Fiscal deficit =12000
c) Primary deficit = 5000

2. From the following data about a government budget, find (a) revenue deficit, (b) fiscal deficit, and (c) primary deficit:

Items (Rs in lakh)

(i) Tax revenue 50

(ii) Revenue expenditure 110

(iii) Capital expenditure 210

(iv) Non-tax revenue 30

(v) Capital receipts net of borrowing 140

(vi) Interest payments 20

Solution:
(a) Revenue Deficit = Rs. 30 lakh

(b) Fiscal Deficit = Rs. 100 lakh

(c) Primary Deficit = Rs. 80 lakh

3. From the following data about a government budget, find

(a) Revenue Deficit, (b) Fiscal Deficit and (c) Primary Deficit:

Particulars	(Rs. Arab)
(i) Tax Revenue	47
(ii) Capital Receipts	34
(iii) Non-tax Revenue	10
(iv) Borrowings	32
(v) Revenue Expenditure	80
(vi) Interset Payments	20

Solution:

a) Revenue deficit = 23
b) Fiscal deficit is equivalent to the borrowings. Therefore, fiscal deficit = 32.
c) Primary deficit = 12.