

Chapter 5 – Government Budget and the Economy

Question 1

A direct tax is a tax which is imposed on,

- Corporations only
- None of these
- Individuals only
- Individuals and corporations

Answer: Individuals and corporations

Question 2

Budgetary policies are implemented by the,

- Foreign sector
- Finance ministry
- Government
- Private sector

Answer: Government

Question 3

What is Budget?

Answer: Budget is the government's annual statement of the estimated receipts and expenditures over the fiscal year. A particular fiscal year in an economy (mainly in India) runs from 1st April to 31st March.

Question 4

Mention the 4 different concepts of deficits.

Answer: The 4 different concepts of deficits are:

- Budget deficit
- Revenue deficit
- Primary deficit
- Fiscal deficit

Question 5

What are the 2 types of revenue receipts?

Answer: 2 types of revenue receipts are:

- Tax revenue
- Non-tax revenue

Question 6

What are direct and indirect taxes? Explain with the examples.

Answer: Direct Taxes are the taxes that are undeviatingly paid to the government by the taxpayer (citizens). It is a tax applied to individuals and establishments straight by the government.

Examples: Income tax, corporation tax, wealth tax etc.,

Indirect Taxes are applied to the production or sale of goods and services. These are originally paid to the government by an agent, who then adds the amount of the tax-funded to the value of the goods/services and passes on the total amount to the end-user.

Examples: Sales tax, service tax, excise duty etc.,

Question 7

The major source of revenue receipts for the government is not,

- Tax revenue
- Income tax
- Wealth tax
- Profits

Answer: Profits

Question 8

Mention the 2 types of taxes.

Answer: There are primarily 2 significant types of taxes – Direct and indirect taxes.

- Direct taxes include interest tax, income tax, wealth tax etc.,
- Indirect taxes include excise duties, customs duties, sales tax etc.,

Question 9

What are the main items of the capital receipt?

Answer: The main items that are sorted under capital receipts are:

- Borrowings by the government
- Loans received from international financial institutions and foreign governments
- Market loans

Question 10

Furnish 2 examples of Developmental expenditure.

Answer: 2 examples of developmental expenditure are:

- Economic services of railways and postal services
- Grants in aid to state and union territories

Question 11

Furnish 2 examples of non-developmental expenditures.

Answer: Defense and interest on payments.

Question 12

Disinvestment is a,

- Capital expenditure
- Revenue expenditure
- Capital receipts
- Revenue receipts

Answer: Capital receipts