

Sample MCQ from UNIT III (SEM III) INTERDISCIPLINARY COURSE

1. Among the following options, which of these is a capital receipt?

- A. Tax received
- B. Dividend received
- C. Disinvestment
- D. External grants

Answer – C.

Capital receipts refer to those receipts that either decrease assets or raise liabilities. Disinvestment causes asset depreciation.

2. Among the following options, which of these is a revenue receipt?

- A. Loan recovery
- B. External grants
- C. Disinvestment
- D. Borrowings

Answer – B.

Revenue receipts are those that do not have an impact on liabilities or assets. External grants have no effect on the current asset and liability positions.

3. What does the fiscal deficit relate to under the government budget?

- A. Taxes shortfall
- B. Disinvestment shortfall
- C. Borrowings requirement
- D. Disinvestment requirement

Answer – C.

4. What does the primary deficit in the subcontext of the government budget relate to –

- A. Interest payment requirement
- B. Borrowing requirement
- C. (b) less (a)

- D. (a) plus (b)

Answer – C.

5. The measures taken using the government budget can impact –

- A. Resource allocation
- B. Inequalities
- C. Inflation
- D. All of the above

Answer – D.

6. At what point the primary deficit under the government budget tends to be zero?

- A. When the revenue deficit tends to be zero.
- B. When the net interest payment is zero.
- C. Fiscal deficit = interest payment.
- D. Zero fiscal deficit.

Answer – C.

7. What can be said about the fiscal deficit?

- A. Interest payments
- B. Borrowings
- C. Borrowings minus interest payments
- D. Interest payments minus borrowings

Answer – B.

8. What is referred to as a primary deficit?

- A. Interest payments
- B. Borrowings
- C. Both interest payments and borrowings
- D. Borrowings minus interest payments

Answer – D.

9. The difference between which two factors constitute primary deficit –

- A. Revenue deficit and fiscal deficit
- B. Total expenditure and revenue receipts
- C. Interest payments and revenue deficit
- D. Interest payments and fiscal deficit

Answer – D.

10. The borrowings under the government budget constitute –

- A. Revenue deficit
- B. Primary deficit
- C. Taxes deficit
- D. Fiscal deficit

Answer – D.

11. Mention the statement which is true among the following –

- A. Fiscal deficit refers to the difference between total receipts and total expenditure.
- B. Fiscal deficit refers to the sum of interest payments and primary deficit.
- C. Primary deficit refers to the difference between interest payments and total receipts.
- D. Primary deficit refers to the difference between interest payments and revenue deficit.

Answer – B.

12. Which of these measures primary deficit accurately?

- A. Revenue deficit – interest payments
- B. Capital expenditure – revenue expenditure
- C. Fiscal deficit – revenue deficit
- D. Fiscal deficit – interest payments

Answer – D.

13. Which of these can be said as an exception to the consequences of the government budget on the nation's economy?

- A. improves resource allocation
- B. implementation of government assistance programmes
- C. improves access to basic goods
- D. increasing aggregate fiscal discipline problems

Answer – D.

14. What can be said about the GST which comes under the government budget?

- A. Indirect tax
- B. Non-tax revenue
- C. Direct tax
- D. Income tax

Answer – A.

15. Which type of expenditure is mentioned in five-year economic planning?

- A. Revenue expenditure
- B. Plan expenditure
- C. Capital expenditure
- D. Non-plan expenditure

Answer – B.

16. Choose the capital expenditures from the following –

- A. Subsidies
- B. Share purchases
- C. Defence purchases
- D. Interest payments

Answer – B.

17. Which type of expenditure is incurred for everyday expenses and smooth functioning of various governmental departments?

- A. Revenue expenditure
- B. Capital expenditure
- C. Non-plan expenditure
- D. All of the above

Answer – A.

18. Which of these is not included under capital receipts of the central government?

- A. Loan recoveries
- B. Non-tax revenue
- C. Market borrowings
- D. None of these

Answer – B.

19. The cost incurred from the tax collection, printing notes and audit, pension, etc. are treated as what type of expenditure by the government –

- A. Government expenditure
- B. Non-development expenditure
- C. Revenue expenditure
- D. All of these

Answer – D.

20. Which of these budgets suits developing economies including India?

- A. Deficit budget
- B. Surplus budget
- C. Balanced budget
- D. None of these

Answer – A.

For future prosperity, emerging nations must spend more on infrastructure as well as administration. As a result, the government's total expenditures will always be more than its total earnings.

21. When the primary deficit is zero, the government opts for borrowing due to –

- A. Fiscal payment
- B. Interest payment
- C. Primary payment
- D. Capital payment

Answer – B.

Borrowing minus interest payments equals primary deficit. The primary deficit tends to be zero whenever borrowing is just enough to cover the amount of accumulated debts.

22. Which of the following is not a fiscal deficit implication?

- A. It determines the entire borrowing needs of the government
- B. It raises the government's obligation
- C. It raises foreign dependency
- D. Repayments of various loans, coupled with an interest, significantly reduce the fiscal deficit.

Answer – D.

The repayment of various loans comes as a remedy to the fiscal imbalance, instead of the implication.

23. Name the process wherein the government sells its securities to private owners.

- A. Monetary expansion
- B. Disinvestment
- C. Both a and b

D. None of these

Answer – B.

When the government offers a stake in its enterprise to private investors, it is known as disinvestment.

24. If the interest payment is Rs. 200 crores and the fiscal deficit is Rs. 500 crores, what is the primary deficit?

- A. Rs. 350 crores
- B. Rs. 550 crores
- C. Rs. 765 crores
- D. Rs. 200 crores

Answer – A.

Primary deficit refers to fiscal deficit minus interest payments.

25. Which of the below does not fall under capital expenditures?

- A. Loans made by the World Bank
- B. School building construction
- C. Loan repayment
- D. Buying Metro Coach from Japan

Answer – A.

Capital spending either builds assets or decreases liabilities. However, loans issued by the World Bank raise obligations. As a result, it does not come under capital expenditures.

26. Fiscal deficit refers to –

1.

- A. Primary deficit – interest payments
- B. Aggregate budget expenditure – aggregate budget receipts
- C. Primary deficit + interest payments
- D. None of these

Answer – C.

The primary deficit is the difference between fiscal deficit and interest payments. Hence, the fiscal deficit is the sum of the two.

27. Mention the direct tax from the following –

- A. Corporation tax
- B. Excise duty
- C. Entertainment tax
- D. Service tax

Answer –A.

28. Which of these increases liabilities in the government budget?

- A. Direct taxes
- B. Borrowings
- C. Loan recovery
- D. Dividends from PSUs

Answer – B.

29. Mention the capital receipt source from the following –

- A. Foreign donations
- B. Indirect taxes
- C. Dividends
- D. Disinvestment

Answer –D.

Disinvestment reduces the government's assets and hence comes under capital receipts.

30. Pick out the direct taxes combination from the following –

- A. Wealth tax and excise duty
- B. Service tax and excise duty
- C. Income tax and service tax
- D. Income tax and wealth tax

Answer –D.

The burden of income and wealth taxation, as well as the liability, are both borne by the same individual.

31. Pick out the non-tax revenue from the following –

- A. Export duty
- B. Dividends
- C. Excise duty
- D. Import duty

Answer – B.

32. Which of these receipts is an example of non-tax revenue?

- A. Fines and fees
- B. Profits and dividends on investment
- C. Interest receipts
- D. All of the above

Answer – D.

33. Which statement is correct for the government budget from the below-given option?

- A. The budget is the estimated statement for the expected annual expenses and income
- B. The detail of expenditure and revenue for a financial year.
- C. According to 5-year plan, it is the complete detail of achievements received by the government
- D. Economy's BoP status

Answer –A.

34. Define regressive tax:

- A. When the income increases for the individual at that time charged at increased rate
- B. When the income increases for the individual at that time charged at decreasing rate
- C. Individual's Low percentage of income
- D. Individuals' income has to pay the charge at a decided percentage.

Answer – B.

MCQs on Fiscal Policy

Q1 Name the policy that accords with expenditure and taxation policies decisions of the government?

- A. Monetary Policy
- B. Fiscal Policy
- C. Labor Market Policies
- D. Trade Policy

Ans Option B – Fiscal Policy

Q2 Which tax among the following generates the maximum amount of revenue for the government of India?

- A. Custom Duties
- B. Income Tax
- C. Corporate Tax

D. Sales Tax

Ans Option C – Corporate Tax

Q3 As per the reports of the Union Budget of 2021-22, state the number of the regional national institute of virology will be set up?

- A. Two
- B. Seven
- C. One
- D. Four

Ans Option D – Four

As per the rules of Union Budget 2021-22, the Central Government had decided to set up four regional national institutes of virology.

Q4 Who leads the Goods and Services Tax or the GST tax of India?

- A. President
- B. Prime Minister
- C. Finance Minister
- D. Home Minister

Ans Option C – Finance Minister

Q5 See the following names of taxes and tell which one is not included in the Goods and Services Tax?

- A. Corporate Tax
- B. Service Tax
- C. Custom Duty
- D. Value Added Tax

Ans Option – C Custom Duty

Q6 If the grants for the creation of capital Assets are deleted from the revenue deficit, then what will be the scenario?

- A. Fiscal Deficit
- B. Effective Revenue Deficit
- C. Primary Deficit
- D. Budget Deficit

Ans Option – B Effective Revenue Deficit

Q7 Tell which among the following can be considered an instance of Direct taxes?

- A. Sales Tax
- B. Wealth Tax
- C. Entertainment Tax
- D. Value Added Tax

Ans Option B – Wealth Tax

Q8 Which work among the following is not part of the legislature organ of India?

- A. Making Law
- B. Budgeting
- C. Approving a budget
- D. Regulations of executive

Ans Option B – Budgeting

Q9 Thing that is not included in the central government Development spending?

- A. Defense Expenditure
- B. Economic Service Expenditure
- C. Grants provided to state
- D. Spending on social and community services

Ans Option A – Defence Expenditure

Q10 In which year railway budget was being merged with the general budget?

- A. Budget 2016-17
- B. Budget 2020-21
- C. Budget 2017-18
- D. Budget 2014-15

Ans Option – C Budget 2017-18

Q11 Identify the following, budget is an important part of whom

- A. Fiscal Policy of Government
- B. Legislature
- C. Commercial Policy of Government
- D. Monetary Policy of Government

Ans Option A – Fiscal Policy of Government

The budget is a very important part of the Fiscal Policy of the Government.

Q12 From which year did the merged railway and general budget start?

- A. 2017-18
- B. 2018-19
- C. 2014-15
- D. 2015-16

Ans Option A- 2017-18

Q13 Which one among the following is not a part of Tax revenue in the state government of India?

- A. Registration Fee
- B. Commercial Tax
- C. Custom Duty
- D. Land Revenue

Ans Option C – Custom Duty

Customs duties are taxes that are imposed on the import and export of goods.

Q14 Which of the following is a railway budget?

- A. Part of the state budget
- B. Part of the Central budget
- C. Not part of the central budget
- D. Not part of the state budget

Ans Option B – Part of the Central budget

Q15 Which scheme among the following was announced in the Union Budget of 2022?

- A. Make in India
- B. Ease of Doing Business
- C. Pradhan Mantri Shram Yogi Maandham
- D. Aatmanirbhar Bharat

Ans Option B – Ease of Doing Business

Q16 What is the process called when the total revenue of government without borrowing is less than the total expenditure

- A. Fiscal Deficit
- B. Monetary Deficit

- C. Deficit Financing
- D. Budget Shortfall

Ans Option A – Fiscal Deficit

Fiscal Deficit = Total Expenditure – Total revenue excluding the borrowings.

Ans Option A – 1999-2000

Q17 Which one among the following is a tool of Fiscal Policy?

- A. Government Research
- B. Election
- C. Taxation
- D. None of the above

Ans Option C – Taxation

Q18 Which one among the following is included in the current account with the balance of payment

- A. Trade-in goods
- B. Remittances
- C. Transfer Payments
- D. FII
- E. Trade-in Services
- F. Gifts
- G. Loans by the world bank and IMF
- H. Invisible Trade
- I. FDI

Ans Usually a capital account consists of FDI, borrowing, quota to IMF, external bonds, issued gifts, and donations that come under the roof of the capital account

Q20 Which criteria among the following will help in showing the fiscal condition of an economy for the current year?

- A. Revenue Deficit
- B. Fiscal Deficit
- C. Effective Revenue Deficit
- D. Primary Deficit

Ans Option B – Fiscal Deficit

Q21 Which one among the following is the correct definition of capital gains tax in India?

- A. Tax on profit from the sale of the capital asset during a particular year
- B. Tax encountered on profit from the sale of shares held for more than a year
- C. Tax levied on interest received from the fixed deposit of bank
- D. Tax on dividends earned from corporate bonds

Ans Option A – Tax on profit from a sale of the capital asset during a particular year.

Mixed Questions:

- i) The Union Budget of a fiscal year refers to the annual financial statement of the Union Government for that particular fiscal year, as per Article---- of the Constitution of India
a) **112** b) 110 c) 113 d) None of these
- ii) A fiscal year refers to the period:
a) 2nd April to 30th March b) **1st April to 31st March** c) 1st Feb to 30th March d) None of these
- iii) From the budget year 2017-18 onwards, the Union budget is presented in India every year on
a) 28th February b) **1st February** c) 1st March d) None of these
- iv) The Railway Budget was merged with the General Budget of India from the fiscal year:
a) 2014-15 b) 2015-16 c) 2016-17 d) **2017-18**
- v) The Railway Budget was separated from the General Budget by the British on recommendations of
a) **Acworth Committee** b) Bibek Debroy Committee c) Rangarajan Committee d) None of these
- vi) The Railway Budget was separated from the General Budget of India on recommendations of
a) Acworth Committee b) **Bibek Debroy Committee** c) Rangarajan Committee d) None of these
- vii) Salaries, pensions, subsidies, interest payments are components of
a) Capital expenditure b) **Revenue expenditure** c) Both (a) and (b) d) None of these
- viii) A deficit budget is recommended in a situation of
a) Inflation b) **Depression** c) Both (a) and (b) d) None of these
- ix) One fiscal tool to cure recession is
a) Increase in taxes b) **Increase in Government Expenditure** c) Both (a) and (b) d) None of these
- x) The following is/are the tool/tools of monetary policy:
a) Open Market Operation b) Bank rate c) Cash reserve ratio d) **All of these**