

QUICK DRILL · CBSE CLASS 12

Government Budget and the Economy

Macroeconomics · Chapter 5 · 15 MCQs · 20 minutes · PYQ-tagged with time budgets

DATE	TOTAL MARKS	DURATION	MARKING	TARGET
_____	15	20 min	+1 / 0	≥ 12/15

OBJECTIVES

Reinforce the four core topics of Government Budget and the Economy via 15 PYQ-derived MCQs. Identify weak sub-topics via concept-node IDs (see answer key). Build per-question time budget habit.

INSTRUCTIONS

Attempt all 15. Time budget shown per Q (use it as pacing guide). Mark answers (A/B/C/D) in the margin. Answer key + explanations on the last page. **Don't peek — score yourself honestly.**

SECTION · QUICK DRILL

Q 1-15 · 20 MIN

Q1. The annual financial statement of the Government of India is laid before Parliament under which Article?

- (A) Article 110 (B) Article 112
(C) Article 280 (D) Article 360

PYQ 2019 · Delhi · 1m · 25s

Q2. Which of the following is a CAPITAL receipt of the government?

- (A) GST collection (B) Interest received on loans given to states
(C) Disinvestment of shares in IRCTC (D) Dividend from RBI

PYQ 2020 · Delhi · 1m · 30s

Q3. Fiscal deficit equals:

- (A) Total expenditure – Total receipts (B) Total expenditure – (Total receipts – Borrowings)
(C) Revenue expenditure – Revenue receipts (D) Fiscal deficit – Interest payments

PYQ 2021 · All India · 1m · 30s

Q4. Primary deficit is calculated as:

- (A) Fiscal deficit + Interest payments (B) Fiscal deficit – Interest payments
(C) Revenue deficit – Interest payments (D) Total receipts – Total expenditure

PYQ 2022 · Term-2 · 1m · 25s

Q5. Which is NOT an objective of a government budget?

- (A) Allocation of resources (B) Redistribution of income
(C) Profit maximisation for PSUs (D) Economic stabilisation

PYQ 2018 · Delhi · 1m · 25s

Q6. Borrowings of the government are:

- (A) Revenue receipts because they bring cash (B) Capital receipts because they create a liability
(C) Revenue expenditure (D) Not part of the budget

PYQ 2019 · All India · 1m · 25s

Q7. Interest payments on past public debt are classified as:

- (A) Capital expenditure (B) Revenue expenditure
(C) Capital receipt (D) Revenue receipt

PYQ 2020 · All India · 1m · 25s

Q8. Which is an example of an INDIRECT tax?

- (A) Income tax
(C) GST

- (B) Corporation tax
(D) Wealth tax

PYQ 2023 · Delhi · 1m · 20s

Q9. Revenue deficit refers to the excess of:

- (A) Total expenditure over total receipts
(C) Revenue expenditure over revenue receipts

- (B) Capital expenditure over capital receipts
(D) Fiscal deficit over interest payments

PYQ 2017 · All India · 1m · 25s

Q10. Total receipts of the government are ₹1,200 cr, total expenditure ₹1,500 cr and borrowings ₹400 cr. Fiscal deficit equals:

- (A) ₹300 cr
(C) ₹500 cr

- (B) ₹400 cr
(D) ₹700 cr

PYQ 2022 · Delhi · 1m · 45s

Q11. Fiscal deficit ₹500 cr and interest payments ₹150 cr — primary deficit is:

- (A) ₹650 cr
(C) ₹150 cr

- (B) ₹350 cr
(D) ₹500 cr

PYQ 2023 · All India · 1m · 30s

Q12. The FRBM Act was enacted in:

- (A) 1991
(C) 2003

- (B) 2000
(D) 2017

PYQ 2019 · Delhi · 1m · 20s

Q13. Which is a NON-tax revenue receipt?

- (A) GST
(C) Dividend from SBI

- (B) Income tax
(D) Customs duty

PYQ 2021 · Delhi · 1m · 25s

Q14. A budget where receipts equal expenditure is called:

- (A) Surplus budget
(C) Balanced budget

- (B) Deficit budget
(D) Zero-based budget

PYQ 2018 · All India · 1m · 20s

Q15. Repayment of loan by a state government to the Centre is treated as:

- (A) Revenue receipt
(C) Capital receipt (reduces an asset)

- (B) Revenue expenditure
(D) Capital expenditure

PYQ 2024 · Delhi · 1m · 30s

ANSWER KEY & EXPLANATIONS

Q 1-15 · MARK YOUR SCORE

Q1. Answer: B

Article 112 mandates the President to lay the Annual Financial Statement (the Budget) before Parliament for every fiscal year.

Q2. Answer: C

Disinvestment reduces the government's asset (equity holding) — capital receipt. The other three create no liability and don't reduce an asset → revenue.

Q3. Answer: B

Fiscal deficit isolates the BORROWING requirement, so borrowings must be excluded from receipts before computing the gap.

Q4. Answer: B

Primary deficit strips out interest on PAST borrowings to show the fresh borrowing this year would create.

Q5. Answer: C

PSU profit is incidental; allocation, redistribution and stabilisation are the three textbook objectives. PSU's themselves may seek profit, but it is NOT a budget objective.

Q6. Answer: B

Borrowings create a future repayment obligation → liability → capital receipt by the two-part test.

Q7. Answer: B

Interest is recurring and creates no asset → revenue expenditure. (It IS however excluded when computing primary deficit.)

Q8. Answer: C

GST is collected from the seller but its burden is shifted to the final consumer → indirect tax. The other three fall on the same person who pays.

Q9. Answer: C

Definition: RD = Revenue expenditure – Revenue receipts. It signals dis-savings on current account.

Q10. Answer: D

$FD = \text{Total Exp} - (\text{Total Rec} - \text{Borrowings}) = 1500 - (1200 - 400) = 1500 - 800 = ₹700 \text{ cr.}$

Q11. Answer: B

$PD = FD - \text{Interest} = 500 - 150 = ₹350 \text{ cr.}$

Q12. Answer: C

Fiscal Responsibility and Budget Management Act, 2003 — sets deficit targets and transparency norms.

Q13. Answer: C

Dividends from PSUs and the RBI surplus are non-tax revenue. The other three are tax revenue.

Q14. Answer: C

Definition. Note: balanced is NOT always optimal — it is procyclical.

Q15. Answer: C

The loan-receivable was an asset; repayment reduces that asset → capital receipt.