CHAPTER-5 | Government Budget and the Economy

QUIZ PART-01

1. **Government budget is defined as:**
   A. A 5-year plan of government's expenditures and receipts
   B. A monthly statement of government's expenditures and receipts
   C. A yearly statement of government's expenditures and receipts
   D. A quarterly statement of government's expenditures and receipts (C)

Explanation : The government budget is an annual statement showing estimated receipts and expenditures for the fiscal year from April 1 to March 31.

2. **The Central Government budget of India is also called:**
   A. Revenue Budget B. Union Budget
   C. State Budget D. Capital Budget (B)

Explanation: The annual budget presented by the Finance Minister of India is known as the Union Budget.

3. **Who presents the Union Budget in India?**
   A. Prime Minister
   B. Finance Minister
   C. President
   D. RBI Governor (B)

Explanation: The Union Budget is presented every year on February 1 by the Finance Minister of India.

4. **Which of the following is not an objective of the government budget?**
   A. Reducing inequalities of income and wealth
   B. Price stability
   C. Maximizing private profits
   D. Economic growth (C)

Explanation : The objectives of the budget include reducing inequalities, economic stability, growth, employment, and reducing disparities—not maximizing private profits.

5. **Which measure is used in the budget to reduce inequalities of income?**
   A. Providing subsidies to the rich
   B. Imposing heavy taxes on the poor
   C. Taxation of the rich and welfare spending for the poor
   D. Increasing inflation rates (C)

Explanation: The government redistributes income by imposing taxes on the rich and using revenue for welfare of the poor.

6. **Which budgetary measure helps in stabilizing the economy during inflation?**
   A. Increasing government expenditure
   B. Reducing taxes
   C. Increasing subsidies
   D. Reducing government expenditure (D)

Explanation: During inflation, the government can reduce aggregate demand by cutting its own expenditure.

7. **Which of the following promotes economic growth through the budget?**
   A. Spending on infrastructure
   B. Restricting private investment
   C. Increasing indirect taxes
   D. Reducing exports (A)

Explanation: Government expenditure on infrastructure stimulates production and demand, encouraging overall growth.

8. **How does the government reduce regional disparities using the budget?**
   A. By reducing subsidies in backward areas
   B. By setting up SEZs and encouraging industries in backward regions
   C. By taxing industries in underdeveloped areas
   D. By limiting investments in rural regions (B)

Explanation: Establishing SEZs and providing incentives in backward regions promote balanced regional development.

9. **Employment generation through budgetary measures can be achieved by:**
   A. Providing jobs only in government offices
   B. Investment in infrastructure and employment schemes
   C. Taxing private companies heavily
   D. Reducing imports of capital goods (B)

Explanation: Infrastructure investment and schemes like MGNREGA and PMRY create large-scale employment opportunities.

10. **Which of the following best defines Economic Stability as an objective of the budget?**
    A. Fluctuations in prices that create uncertainty
    B. Absence of large-scale fluctuations in prices
    C. Maximization of government expenditure
    D. Increase in regional disparities (B)

Explanation : Economic stability means absence of large fluctuations in prices, which the government achieves by adjusting taxes and expenditure.