

1. What type of economy has both private and public sector participation?

- A. Socialist economy B. Capitalist economy
C. Mixed economy D. Market economy (C)

Explanation : A mixed economy features both private enterprises and government intervention in economic activities.

2. Which of the following is classified as a capital receipt?

- A. Personal income tax
B. Dividends from PSUs
C. Sale of government shares
D. Interest received on loans (C)

Explanation : Sale of government shares leads to a reduction in financial assets and is considered a capital receipt.

3. What is meant by public provision?

- A. Goods produced by private firms
B. Goods financed by government budget
C. Goods sold in competitive markets
D. Goods excluded from public consumption (B)

Explanation : Public provision refers to goods and services financed through the government budget and offered without direct payment.

4. Which tax is considered a direct tax?

- A. Excise duty B. Corporation tax
C. Customs duty D. GST (B)

Explanation : Corporation tax is levied directly on firm profits and is classified as a direct tax.

5. What does the revenue budget comprise?

- A. Loans and asset sales
B. Revenue receipts and revenue expenditure
C. Capital receipts and capital expenditure
D. Market borrowings (B)

Explanation : The revenue budget includes revenue receipts and revenue expenditure for the fiscal

year.

6. What does a fiscal deficit indicate?

- A. Revenue receipts exceed revenue expenditure
B. Total expenditure is less than total receipts
C. Government borrowing requirement
D. Only external debt accumulation (C)

Explanation : Fiscal deficit reflects the gap between total expenditure and non-debt receipts, indicating the need for borrowing.

7. What is the formula for calculating revenue deficit?

- A. Revenue receipts – Revenue expenditure
B. Revenue expenditure – Revenue receipts
C. Capital receipts – Capital expenditure
D. Total expenditure – Total receipts (B)

Explanation : Revenue deficit is calculated as revenue expenditure minus revenue receipts.

8. What kind of expenditure does not create any physical or financial asset?

- A. Capital expenditure
B. Budget surplus
C. Revenue expenditure
D. Fiscal borrowing (C)

Explanation : Revenue expenditure includes routine government spending and does not result in asset creation.

9. What does the balanced budget multiplier equal?

- A. 0 B. Less than 1
C. More than 1 D. 1 (D)

Explanation : The balanced budget multiplier is equal to 1, meaning equal increases in G and T raise output by the same amount.

10. What does the concept of 'crowding out' imply?

- A. Public investment boosts private saving
B. Private sector replaces public goods
C. Government borrowing reduces private investment
D. Public goods become rivalrous (C)

Explanation : Crowding out occurs when government borrowing absorbs financial resources, leaving fewer funds for private investment.