

PRACTICE WORKSHEET

Class XII – Macroeconomics (Economics)

Chapter: Government Budget and the Economy

Name: _____

Date: _____

Max. Marks: 249

Roll No. / Batch: _____

Time: _____

Marks Obtained: _____

General Instructions

- This worksheet is a question bank covering every key question type from the chapter: previous years' CBSE Board questions, CBSE Sample Question Papers (SQPs), competency-based questions (assertion-reason and case-based) and practice questions. Marks are shown against each question.
- Questions carrying a tag in grey [CBSE ...] are previous-year Board / SQP questions. 'Board pattern' and 'Practice' mean the question follows a recurring Board format.
- For classification questions, a reason is compulsory – as per CBSE guidelines, no marks are given if the reason is not explained.
- In numericals, write the formula, show working, and state the final answer. Numerical questions are in ₹ (arab = 100 crore).
- Use the marks as a guide to the length of answers: 1 mark – one line; 3 marks – about 60–80 words; 4 marks – about 80–100 words; 6 marks – about 120–150 words.
- Solve it in sections or time-box each section; check your work with the separate Marking Scheme PDF only after attempting.

Section	Type of questions	No. of Qs	Marks
A	MCQs and Assertion-Reason (1 mark)	29	29
B	Very short answer (1 mark)	15	15
C	Short answer (3 marks)	23	69
D	Short answer / numerical / classification (4 marks)	9	36
E	Case-based (4 marks each)	4	16
F	Long answer and numerical (6 marks)	14	84
	Total	94	249

SECTION A – Multiple Choice and Assertion-Reason Questions (1 mark each)

Choose the correct option in Q.1 to Q.23. For Q.24 to Q.29 (Assertion-Reason), choose from:

- (a) Both A and R are true and R is the correct explanation of A.
 (b) Both A and R are true but R is not the correct explanation of A.
 (c) A is true but R is false.
 (d) A is false but R is true.

- Q.1** Primary deficit in a government budget will be zero when: **[1]**
 (a) Revenue deficit is zero (b) Net interest payment is zero
 (c) Fiscal deficit is zero (d) Fiscal deficit is equal to interest payments
[CBSE 2025 / SQP pattern]
- Q.2** Which of the following is a capital receipt? **[1]**
 (a) Dividend from a public enterprise (b) Fees of a government college
 (c) Recovery of loans granted to states (d) Corporation tax
[CBSE Delhi 2006]
- Q.3** Which one of the following is a revenue expenditure? **[1]**
 (a) Construction of a flyover (b) Repayment of borrowings
 (c) Subsidies (d) Purchase of machinery
[CBSE Foreign 2015]

Q.4	Which of the following is a direct tax? (a) Entertainment tax (c) Excise duty	(b) Income tax (d) Customs duty	[1]
Q.5	The non-tax revenue in the following is: (a) Export duty (c) Dividends <i>[CBSE Delhi 2015]</i>	(b) Import duty (d) Excise duty	[1]
Q.6	Primary deficit in a government budget is: (a) Revenue expenditure – Revenue receipts (c) Revenue deficit – Interest payments <i>[CBSE All India 2015]</i>	(b) Total expenditure – Total receipts (d) Fiscal deficit – Interest payments	[1]
Q.7	Fiscal deficit equals: (a) Interest payments (c) Interest payments less borrowings <i>[CBSE Delhi 2016]</i>	(b) Borrowings (d) Borrowings less interest payments	[1]
Q.8	Which of the following sources of receipts in a government budget increases its liabilities? (a) Direct taxes (c) Borrowings <i>[CBSE Delhi Comptt. 2016]</i>	(b) Recovery of loans (d) Dividend from public sector undertakings	[1]
Q.9	Disinvestment by the government means: (a) Selling of its fixed capital assets (c) Selling of its buildings <i>[CBSE Foreign 2016]</i>	(b) Selling of shares of public enterprises held by it (d) All of the above	[1]
Q.10	The government budget has a revenue deficit. This gets financed by: A. Borrowing B. Disinvestment C. Tax revenue D. Indirect taxes (a) A and D (c) A and B <i>[CBSE Sample Paper 2015]</i>	(b) C and D (d) C and B	[1]
Q.11	“Policies of surplus budget during inflation” is a part of which objective of the government budget? (a) Economic growth (c) Reducing regional disparities	(b) Economic stability (d) Reallocation of resources	[1]
Q.12	Grants given by the Union Government to State Governments are treated as: (a) Capital expenditure (c) Capital receipts <i>[CBSE All India 2006]</i>	(b) Revenue expenditure (d) Revenue receipts	[1]
Q.13	Escheats are an example of: (a) Capital receipts (c) Capital expenditure	(b) Revenue receipts (d) Revenue expenditure	[1]
Q.14	If revenue expenditure is ₹1,800 crore and revenue receipts are ₹1,300 crore, the revenue deficit is: (a) ₹3,100 crore (c) ₹1,300 crore	(b) ₹500 crore (d) ₹1,800 crore	[1]
Q.15	In a government budget, revenue deficit is ₹50,000 crore and borrowings are ₹75,000 crore. The fiscal deficit will be: (a) ₹25,000 crore (c) ₹1,25,000 crore <i>[CBSE Delhi 2006]</i>	(b) ₹75,000 crore (d) ₹50,000 crore	[1]

- Q.16** If primary deficit is ₹3,500 crore and interest payment is ₹500 crore, the fiscal deficit is: **[1]**
 (a) ₹3,000 crore (b) ₹4,000 crore
 (c) ₹4,500 crore (d) ₹1,750 crore
- Q.17** Imposing heavy taxes on liquor and cigarettes while giving subsidies on khadi products reflects which budgetary objective? **[1]**
 (a) Reallocation of resources (b) Management of public enterprises
 (c) Economic stability (d) Reducing regional disparities
- Q.18** Tax concessions to production units set up in economically backward areas aim at: **[1]**
 (a) Economic stability (b) Reducing regional disparities
 (c) Raising revenue deficit (d) Reducing public enterprises
- Q.19** Which of the following is NOT an indirect tax? **[1]**
 (a) Goods and Services Tax (b) Corporation tax
 (c) Excise duty (d) Customs duty
- Q.20** Fees of a government college is a revenue receipt because: **[1]**
 (a) It creates a liability of the government (b) It neither creates any liability nor reduces any asset
 (c) It reduces an asset of the government (d) It increases an asset of the government
[CBSE Delhi 2006 (pattern)]
- Q.21** 'Construction of a school building' is a: **[1]**
 (a) Capital receipt (b) Revenue expenditure
 (c) Capital expenditure (d) Revenue receipt
[CBSE All India 2006]
- Q.22** The incidence of a tax refers to: **[1]**
 (a) Level and rate of taxation (b) Who ultimately bears the money burden of the tax
 (c) Growth of taxation (d) Way in which a tax is collected
- Q.23** Which of the following is a feature of capital expenditure? **[1]**
 (a) It is recurring in nature (b) It either creates an asset or reduces a liability
 (c) It neither creates an asset nor reduces a liability (d) It is spent on day-to-day activities
- Q.24** Assertion (A): Borrowings are capital receipts. **[1]**
 Reason (R): Borrowings create a liability for the government.
- Q.25** Assertion (A): Direct taxes have limited reach compared with indirect taxes. **[1]**
 Reason (R): Income tax is a direct tax.
- Q.26** Assertion (A): Subsidies are a revenue expenditure. **[1]**
 Reason (R): Subsidies create an asset for the government.
- Q.27** Assertion (A): Tax receipts are capital receipts. **[1]**
 Reason (R): Taxes neither create a liability nor reduce any asset of the government.
- Q.28** Assertion (A): A revenue deficit implies that the government is dissaving. **[1]**
 Reason (R): The government uses the savings of other sectors to finance its consumption expenditure.
- Q.29** Assertion (A): There can be a fiscal deficit even when the revenue deficit is zero. **[1]**
 Reason (R): Fiscal deficit also depends on capital expenditure and non-debt capital receipts.

SECTION B - Very Short Answer Questions (1 mark each)

Q.30	Define a government budget. <i>[CBSE Delhi 2003, 09, 13, 14]</i>	[1]
Q.31	State any one objective of a government budget. <i>[CBSE Delhi 2008]</i>	[1]
Q.32	Why are borrowings a capital receipt? <i>[CBSE Delhi 2009]</i>	[1]
Q.33	Why is repayment of a loan a capital expenditure? <i>[CBSE Delhi 2005, 09]</i>	[1]
Q.34	Why are subsidies treated as revenue expenditure? <i>[CBSE Delhi 2005]</i>	[1]
Q.35	Why is entertainment tax an indirect tax? <i>[CBSE Sample Paper 2008]</i>	[1]
Q.36	State any two sources of non-tax revenue. <i>[CBSE Sample Paper 2008]</i>	[1]
Q.37	What does zero primary deficit mean? <i>[Board pattern]</i>	[1]
Q.38	Give two examples of capital receipts in a government budget. <i>[CBSE All India Comptt. 2012]</i>	[1]
Q.39	Why is recovery of loans treated as a capital receipt? <i>[CBSE All India 2005]</i>	[1]
Q.40	A government budget shows a primary deficit of ₹4,400 crore. Interest payment is ₹400 crore. Find the fiscal deficit. <i>[CBSE Delhi 2004]</i>	[1]
Q.41	In a government budget, primary deficit is ₹10,000 crore and interest payment is ₹8,000 crore. Find the fiscal deficit. <i>[CBSE All India 2006]</i>	[1]
Q.42	Name any one step the government can take through its budget to check inflation. <i>[CBSE All India Comptt. 2013]</i>	[1]
Q.43	Define a tax. <i>[CBSE Delhi 2004, 12]</i>	[1]
Q.44	Why are receipts from taxes categorised as revenue receipts? <i>[CBSE All India Comptt. 2005]</i>	[1]

SECTION C - Short Answer Questions (3 marks each)

Q.45	State any three objectives of a government budget. <i>[CBSE Delhi Comptt. 2011]</i>	[3]
Q.46	Explain the 'economic stability' objective of a government budget. <i>[CBSE Foreign 2010; All India 2011, 12]</i>	[3]
Q.47	How can a government budget help in reducing inequalities of income? Explain. <i>[CBSE Delhi 2009, 10, 11; Foreign 2012; All India 2011, 13]</i>	[3]
Q.48	Explain the 'allocation of resources' objective of a government budget. <i>[CBSE Delhi 2011, 12, Comptt. 2013; All India 2010]</i>	[3]
Q.49	Explain the basis of classifying government receipts into revenue receipts and capital receipts. Which type of receipt are borrowings, and why? <i>[CBSE All India 2013]</i>	[3]
Q.50	Distinguish between direct tax and indirect tax (any three points). <i>[CBSE Delhi 2009]</i>	[3]
Q.51	Distinguish between revenue deficit and fiscal deficit. <i>[CBSE Delhi 2013]</i>	[3]

- Q.52** Distinguish between fiscal deficit and primary deficit. [3]
[CBSE Delhi Comptt. 2013]
- Q.53** What is the basis of classifying government expenditure into 'revenue expenditure' and 'capital expenditure'? Under which type does payment of salaries to government employees fall, and why? [3]
[CBSE Delhi Comptt. 2013]
- Q.54** Is the following a revenue expenditure or a capital expenditure? Give reason. (i) Expenditure on collection of taxes (ii) Expenditure on purchasing computers. [3]
[CBSE Delhi 2014]
- Q.55** Explain 'revenue deficit' in a government budget. What does it indicate? [3]
[CBSE Delhi 2012]
- Q.56** Explain the concept of 'fiscal deficit' in a government budget. What does it indicate? [3]
[CBSE All India 2012]
- Q.57** Explain the concept of 'primary deficit' in a government budget. What does it indicate? [3]
[CBSE Foreign 2012]
- Q.58** Discuss the two sources of financing fiscal deficit. [3]
[CBSE Delhi 2013]
- Q.59** Can there be a fiscal deficit in a government budget without a revenue deficit? Explain. [3]
[CBSE Sample Paper 2008]
- Q.60** "Governments across nations are too much worried about the term fiscal deficit." Do you think fiscal deficit is necessarily inflationary? Support your answer with valid reasons. [3]
[CBSE Sample Paper 2016]
- Q.61** Government raises its expenditure on producing public goods. Which economic value does it reflect? Explain. [3]
[CBSE Delhi 2014]
- Q.62** Tax rates on the higher income group have been increased. Which economic value does it reflect? Explain. [3]
[CBSE All India 2014]
- Q.63** The government has started spending more on free services like education and health for the poor. Explain the economic value it reflects. [3]
[CBSE Foreign 2014]
- Q.64** The government decides to give budgetary incentives to investors for making investments in backward regions. Explain these possible incentives and the reasons for the same. [3]
[CBSE All India Comptt. 2015]
- Q.65** Explain the need for reduction in inequalities of income and wealth. Explain any two budgetary measures by which it can be done. [3]
[CBSE Delhi Comptt. 2015]
- Q.66** In a government budget, revenue deficit is ₹20 crore, revenue receipts are ₹20 crore, fiscal deficit is ₹40 crore and interest payment is ₹10 crore. Find (a) revenue expenditure (b) (capital expenditure – non-debt capital receipts) (c) primary deficit. [3]
[CBSE 2025 pattern]
- Q.67** In a budget, fiscal deficit is ₹5,000 crore, primary deficit is ₹2,000 crore and revenue deficit is ₹1,500 crore. Find (a) interest payments (b) the value of (capital expenditure – non-debt capital receipts). [3]
[Practice]

SECTION D - Short Answer / Numerical / Classification Questions (4 marks each)

- Q.68** In the government budget, the Finance Minister proposed to raise the excise duty on cigarettes. He also proposed to increase income tax on individuals earning more than ₹1 crore per annum. Identify and explain the types of taxes proposed. Was the objective only to earn revenue? What possible welfare objectives could the Government be considering? [4]
[CBSE Sample Paper 2014, 2015]

- Q.69** What are the implications of a large revenue deficit? Give two measures to reduce it. **[4]**
[CBSE Sample Paper 2010]
- Q.70** Giving reasons, categorise the following into revenue receipts and capital receipts: (i) Dividends on investments made by the government (ii) Sale of 40% shares of a public sector undertaking to a private enterprise (iii) Amount borrowed from Japan for construction of Metro (iv) Fees of a government college. **[4]**
[CBSE Delhi 2006 (pattern)]
- Q.71** Giving reasons, categorise the following into revenue expenditure and capital expenditure: (i) Salary paid to army officers (ii) Purchase of Metro coaches from Japan (iii) Grants given to State Governments (iv) Repayment of loan taken from the World Bank. **[4]**
[CBSE All India 2006 (pattern)]
- Q.72** Giving reasons, classify the following as direct and indirect taxes: (i) Corporation tax (ii) Excise duty (iii) Capital gains tax (iv) Entertainment tax. **[4]**
[CBSE Foreign 2006; Delhi 2010 (pattern)]
- Q.73** From the following data about a government budget, find (a) revenue deficit (b) fiscal deficit (c) primary deficit. **[4]**
Capital receipts net of borrowings = ₹95 arab; Revenue expenditure = ₹100 arab; Interest payments = ₹10 arab; Revenue receipts = ₹80 arab; Capital expenditure = ₹110 arab.
[CBSE Delhi 2011]
- Q.74** Find (a) fiscal deficit and (b) primary deficit from the following (₹ crore): Revenue expenditure 70,000; Borrowings 15,000; Revenue receipts 50,000; Interest payments = 25% of revenue deficit. **[4]**
[CBSE Sample Paper 2014]
- Q.75** From the following data find (a) revenue deficit (b) fiscal deficit (c) primary deficit (₹ crore): Revenue receipts 4,000; Revenue expenditure 5,200; Capital expenditure 1,800; Non-debt creating capital receipts 300; Interest payments 900. **[4]**
[Practice (SQP style)]
- Q.76** From the following data find (a) fiscal deficit (b) primary deficit (₹ crore): Revenue deficit 6,000; Capital expenditure 10,000; Non-debt creating capital receipts 4,000; Interest payments 3,500. **[4]**
[Practice (SQP style)]

SECTION E - Case-Based Questions (4 marks each)

- Q.77** Case Study 1: To discourage the use of tobacco, the Finance Minister proposed a steep rise in the excise duty on cigarettes. To narrow the income gap, the income tax on individuals earning above ₹2 crore per annum was also raised. In addition, subsidies were announced for firms that set up solar power units in economically backward districts, while the production of khadi products continued to get support. **[4]**
(i) Excise duty on cigarettes is a/an ____ tax. Give reason.
(ii) Which objective of the budget is served by raising income tax on very high incomes?
(iii) Subsidies for solar units in backward districts mainly serve which objective?
(iv) How does a heavy tax on cigarettes help in reallocation of resources?
- Q.78** Case Study 2: The budget of a hypothetical economy shows the following (₹ crore): Revenue receipts 3,00,000; Revenue expenditure 3,60,000; Capital expenditure 90,000; Non-debt creating capital receipts 20,000; Interest payments 80,000. **[4]**
(i) Calculate the revenue deficit.
(ii) Calculate the fiscal deficit.
(iii) Calculate the primary deficit.
(iv) A large part of the fiscal deficit comes from revenue deficit. Why is this a matter of concern?

- Q.79** Case Study 3: A government borrows ₹5,000 crore from Japan to build a metro line, buys metro coaches from abroad, pays monthly salaries to the metro staff, and sells 10% of its shares in a public sector undertaking to partly finance the project. **[4]**
 (i) Classify the amount borrowed from Japan as revenue/capital receipt, with reason.
 (ii) Classify the purchase of metro coaches as revenue/capital expenditure, with reason.
 (iii) Classify the salaries paid to metro staff, with reason.
 (iv) Classify the sale of 10% shares of the PSU, with reason.
- Q.80** Case Study 4: A country has been running large fiscal deficits for many years and meets most of them by borrowing from the central bank, which prints new currency. Over time, interest payments on past loans take up a rising share of its expenditure. Economists warn of a debt trap and rising prices. **[4]**
 (i) Interest payments are classified as which type of expenditure?
 (ii) What does a zero primary deficit indicate for this country?
 (iii) Why does financing the deficit through printing currency create inflationary pressure?
 (iv) Why are borrowings considered a better source than deficit financing?

SECTION F - Long Answer and Numerical Questions (6 marks each)

- Q.81** From the following data about a government budget (₹ arab), find (a) revenue deficit (b) fiscal deficit (c) primary deficit: Tax revenue 47; Capital receipts 34; Non-tax revenue 10; Borrowings 32; Revenue expenditure 80; Interest payments 20. **[6]**
[CBSE All India 2011]
- Q.82** From the Union Budget estimates (₹ crore) find the revenue deficit, fiscal deficit and primary deficit. Revenue receipts 11,41,575; Recoveries of loans 10,753; Other capital receipts 69,500; Borrowings 5,55,649; Revenue expenditure 15,36,047; Capital expenditure 2,41,430; Interest payments 4,56,145. **[6]**
[Textbook / Union Budget 2015-16 data]
- Q.83** Define a government budget. Explain the various objectives of a government budget. **[6]**
[Board pattern]
- Q.84** What is meant by non-tax revenue? Explain the different sources of non-tax revenue. **[6]**
[Board pattern]
- Q.85** What is meant by budget expenditure? Distinguish between revenue expenditure and capital expenditure. **[6]**
[Board pattern]
- Q.86** Discuss the meaning of the following: (i) Revenue deficit (ii) Fiscal deficit (iii) Primary deficit. **[6]**
[CBSE All India 2009]
- Q.87** Distinguish between: (a) Direct tax and indirect tax (b) Primary deficit and revenue deficit. **[6]**
[CBSE All India Comptt. 2014 (I)]
- Q.88** Distinguish between: (a) Revenue receipts and capital receipts (b) Revenue deficit and fiscal deficit. **[6]**
[CBSE Delhi Comptt. 2014 (II)]
- Q.89** Explain the objectives of resource allocation and income distribution in a government budget. **[6]**
[CBSE Delhi Comptt. 2014 (III)]
- Q.90** Explain the role of the government budget in fighting inflationary and deflationary tendencies. **[6]**
[CBSE Foreign 2015]
- Q.91** What is a government budget? Explain how taxes and subsidies can be used to influence allocation of resources. **[6]**
[CBSE Delhi 2016]
- Q.92** What is the difference between direct tax and indirect tax? Explain the role of the government budget in influencing allocation of resources. **[6]**
[CBSE All India 2016]

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- Q.93** What is the difference between revenue expenditure and capital expenditure? Explain how taxes and government expenditure can be used to influence the distribution of income in society. **[6]**
[CBSE All India 2016]
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- Q.94** Explain the budgetary measures for achieving the following objectives: (i) Setting up of production units in backward regions (ii) Reducing inequalities of income and wealth. **[6]**
[CBSE Delhi Comptt. 2016]
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