

Government Budget & Balance of Payment

GENERAL INSTRUCTIONS:

1. This question paper contains two sections: Section A- Government Budget. Section B- Balance of Payments.
2. All questions are MANDATORY.

SECTION A

1. Which of the following is a non- tax receipt?
a) Gift tax b) Sales tax c) Donations d) Excise duty 1
2. If the primary deficit is Rs. 3500 and interest payment is Rs. 500, then fiscal deficit is:
a) RS.4,000 b) Rs.2,900 c) Rs.3,000 d) Rs.4,000 1
3. Fiscal discipline refers to the state of between revenues and expenditures of the government.
a) Balance b) Equilibrium c) Unbalance d) Constant 1
4. Which of the following sources of receipts in the government budget increases its liabilities?
a) Direct taxes b) Borrowings
c) Dividend from public d) Recovery of loans sector undertakings 1
5. Which of the following are the objectives of government budget?
a) Distribution of income and wealth b) Economic stability
c) GDP growth d) All of these 1
6. Direct tax is called direct because it is collected directly from:
a) The producers on goods produced b) The sellers on goods sold
c) The buyers of goods d) The income earners 1
7. Identify the correctly matched pair.

COLUMN A	COLUMN B
i) Fiscal deficit	a) Other than interest payments
ii) Primary deficit	b) Borrowings less interest payments
iii) Revenue deficit	c) Borrowings
iv) Tax deficit	d) Borrowings in govt. budget
1.(i)-(a) 2.(ii)-(b)	3.(iii)-(c) 4.(iv)-(d)

1
8. Which of the following is a capital receipt in the government budget?
a) Income Tax
b) Interest receipt
c) Sale of shares of a Public Sector Undertakings to X private ltd.
d) Dividends from a Public Sector Undertaking. 1
9. In the context of govt. budget, which of the following statements is correct?
a) It is a detail of actual receipts and expenditures of the govt. in a financial year.
b) It is a statement of expected annual receipts and expenditures of the government.
c) It offers a detailed description of achievements of the govt. during the five year plans
d) It indicates BoP status of the domestic economy. 1

10. From the set of statements given in column I and column II, choose the correct pair of statements:
- | COLUMN I | COLUMN II | |
|---------------------------|---|---|
| a) Progressive tax | i) Rate of tax decreases with an increase in income | |
| b) Revenue expenditure | ii) Impact asset-liability status of the government | |
| c) Wealth tax | iii) An indirect tax | |
| d) Defence of the country | iv) Private goods | |
| e) Revenue deficit | v) Revenue expenditure less Revenue receipts | 1 |
11. Using the estimation procedure discuss below, find the estimates of different types of budget deficit: 3
- | ITEMS | IN CRORE |
|---|-----------------|
| 1. Revenue receipts | 17,29,682 |
| 2. Revenue expenditure | 21,40,612 |
| 3. Capital receipts | 7,27,553 |
| 4. Capital expenditure | 3,16,623 |
| 5. Recoveries of loans and other receipts | 91,155 |
| 6. Borrowings and other liabilities | 6,34,398 |
| 7. Interest payment | 5,87,570 |
12. Briefly describe how the government budget contributes to the process of growth and stability. 3
- OR**
- Government has raised its expenditure on free services like education and health to the poor. Explain the economic value it reflects.
13. Giving reason, categories the following into revenue expenditure and capital expenditure: 4
- Subsidies
 - Construction of school buildings
 - Repayment of loans
 - Grants given to state government
14. What is meant by budget? Define its objectives. 4
15. Explain the significance of revenue deficit/fiscal deficit/primary deficit/budgetary deficit? 4
- OR**
- State the source of financing deficit in the budget?
16. a) What is meant by balanced budget? State its merits and demerits. 3
b) Name the main documents in the budget of the central government. 3
17. a) What is meant by plan and non-plan expenditure. 3
b) Differentiate between direct and indirect tax. 3
- OR**
- a) What is meant by developmental and non-developmental expenditure. 3
b) Differentiate between surplus and deficit budget. 3
- SECTION B**
18. When BoP is in there is no movement of official reserves of the central bank. 1
a) Equilibrium b) Disequilibrium c) Control d) Not in control.
19. From the set of statements given in column I and column II, choose the correct pair of statements : 1
- | COLUMN I | COLUMN II |
|----------------------------------|--|
| a) External commercial borrowing | i) Available at the concessional rate of interest. |
| b) Real assets | ii) Stocks and bonds |
| c) Autonomous items | iii) Classified as 'below the line' items of BoP |
| d) Exports of goods and services | iv) Recorded as positive items in BoP accounts |
20. If balance of trade (-) Rs. 600 crore and value of exports is Rs. 500 crore, then the value of imports will be: 1
a) Rs. 1100 crore b) Rs. 100 crore c) Rs. 1300 crore d) Rs. 1200 crore

21. Disequilibrium in balance of payment leads to:
a) Increase in the official reserves with RBI
b) Decrease in the official reserves with RBI
c) Both (a) and (b)
d) None of the above. 1
22. Exports = Rs.2000 lakh, imports = Rs.3300 lakh, balance of trade shows:
a) Surplus of Rs.1300 lakh
b) Deficit of Rs. 1300 lakh
c) Balance of Rs.5300 lakh
d) None of these 1
23. Identify the correct sequence of alternatives given in Column II by matching them with respective items in Column I: 5
- | COLUMN I | COLUMN II |
|-------------------------|---------------------------------------|
| a) Trade deficit | i) Cause of BoP imbalance |
| b) Merchandise | ii) Export of goods < Import of goods |
| c) Autonomous items | iii) An element of invisibles |
| d) Current transfers | iv) Foreign institutional investment |
| e) Portfolio investment | v) Export and import of goods. |
24. The balance of trade shows a surplus of Rs.10000 crore and the import of merchandise is half of the export of merchandise. Find the value of exports. 3
25. How is BoP deficit or BoP surplus estimated?
OR
How is cancellation of coal blocks allocation by the supreme court of India likely to affect our CAD (current account deficit) 3
26. Explain the components of capital account of balance of payments? 4
27. a) What is the official reserve account?
b) Do you think that a surplus in capital account BoP reflects prosperity of the nation? 1 + 3
- OR**
Balance of payments always balances. Explain. 4
28. Read the following statements carefully. Write TRUE or FALSE with a reason.
a) There is no difference between balance of trade and balance on current on account of BoP. 2
b) Improvement in exchange rate of the country's currency doesn't necessarily mean improvement in BoP status of the country. 2
29. a) Explain the different types of balance of trade?
b) Why does we see disequilibrium in balance of payments? 3
- OR**
a) What is meant by autonomous and accommodating items, in balance of payments accounts?
b) What are the adverse effects of deficit in balance of payments? 3
30. a) What is the significance of balance of payments accounts? 2
b) What is meant by visible and invisible items in balance of payments? 2
c) What is foreign direct investment ? 2