

Chapter 8- Budget Tax, BOP BOT & National income

1. National income at market price is equal to

- (a) Revenue of the government in one year
- (b) Revenue of nationalised enterprises and banks
- (c) Budgetary surplus of the government
- (d) Sum total of all factors earning in the country

2. If GNP is 600 cr. and NNP is Rs.500 cr. the depreciation is

- (a) Rs. 100      (b) Rs. 75
- (c) Rs. 50        (d) Rs. 25

3. Per capital income rises when

- (a) GNP and production both increases at the same rate
- (b) GNP and population both decrease
- (c) GNP increases faster than population
- (d) GNP increases slower than population

4. Net national product at factor cost (NNPFC) is also known as:

- (a) Net domestic product
- (b) Gross national product
- (c) National income

(d) Personal income.

5. Calculating GNP which of the following should be excluded?

- (a) Rental incomes
- (b) Interest payments
- (c) Dividends
- (d) Transfer payments.

6. The difference between market price (MP) and factor cost (FC) is

- (a) Depreciation
- (b) Intermediate consumption
- (c) Net indirect taxes
- (d) Net factor income from abroad

7. Nominal GDP grows faster than the real GDP because of \_\_\_\_\_.

- (a) Inflation
- (b) Low production in the economy
- (c) Lack or resources in the economy
- (d) Rise in the quality of goods produced.

8 In which sector, expenditure method is used in India for calculating national income.

- (a) The agriculture sector
- (b) The mining sector

- (c) The construction sector
- (d) The transportation sector

9. The difference between GNP at market price and GDP at market price is equal to

- (a) Net indirect tax
- (b) Subsidies
- (c) Net factor income from abroad
- (d) Depreciation

10. Which one of the following is NOT a Transfer Payment in National Income accounting?

- (a) Interest on government bonds held by Indians
- (b) Drought relief payments
- (c) Unemployment benefits
- (d) Salaries of supreme court judges

11. Net exports are negative when

- (a) Net investment is positive
- (b) Exports are exceeded by imports
- (c) Exports exceed private transfer to foreigners
- (d) Imports are exceeded by exports

12. Which of the following is not an approach used to measure national income?

- (a) Product approach
- (b) Two sector model in circular flow of income
- (c) Income approach
- (d) Expenditure approach

13. The difference between Gross National Product and Gross Domestic Product is equal to

- (a) Gross Domestic investment
- (b) Net Foreign Investment
- (c) Net imports.
- (d) Net factor income from abroad

14. The national income of a country for a given period is equal to the

- (a) total value of goods and services produced by the nationals
- (b) Sum of total consumption and investment Expenditure
- (c) Sum of personal income of all individuals
- (d) Money value of final goods and services Produced

15. In India, deficit can be financed by

- (a) Borrowing from the RBI
- (b) Borrowing from the commercial banks
- (c) Issue of new currency
- (d) All of the above.

16. Gross capital formation in India is very \_\_\_\_\_.

- (a) High
- (b) Low
- (c) Uncertain
- (d) Dynamic

17. The difference between market price (MP) and factor cost (FC) is

- (a) Depreciation
- (b) Intermediate consumption
- (c) Net indirect taxes
- (d) Net factor income from abroad

18. NNP<sub>fc</sub> is

- (a) GNP<sub>fc</sub> - depreciation
- (b) NNP<sub>mp</sub> - net indirect taxes
- (c) GDP<sub>fc</sub> - depreciation
- (d) GNP<sub>mp</sub> - net indirect taxes

19. Improvement in the standard of living in a country are best reflected by increase in

- (a) GNP at constant prices
- (b) Per capita income at constant prices
- (c) Per capita income at current prices
- (d) GNP at current prices

20. For the study of the long-term growth of the economy we use

- (a) Real GNP
- (b) Transfer payments
- (c) Per capita income
- (d) Disposable income

21. What is the fundamental rule of the balance of payment account?

- (a) The sum of current account and capital account should be equal to zero
- (b) Current account should be greater than capital account
- (c) Capital account should be greater than current account
- (d) The sum of current account and Capital account should be greater than one.

22. Sum of balance of current account and balance of capital account is known as:

- (a) Balance of accounts
- (b) Balance of trade
- (c) Balance of payment
- (d) Balance of debts.

23. BOP is in surplus, then

- (a) It adds to external reserves of the country
- (b) It draws from external reserves of the country

- (c) It adds to internal reserves of the country
- (d) It draws from internal reserves of the country.

24. BOP is in deficit, then

- (a) It adds to external reserves of the country.
- (b) It draws from external reserves of the country
- (c) It adds to internal reserves of the country.
- (d) It draws from internal reserves of the country.

25. Which of the following is most likely to cause an increase in the size of the national debt?

- (a) An increase in taxation
- (b) A rise in long-term government borrowings
- (c) An increase in national income.
- (d) A reduction in government expenditure.

26. Which of the following contributes most to India's external debt?

- (a) IMF loans
- (b) External commercial borrowings
- (c) External assistance
- (d) None of these.

27. BOP on capital account does not include:

- (a) Balance of private direct investments
- (b) Government loans to foreign government
- (c) Private portfolio investments
- (d) Government subsidies & incentives.

28. Balance of payment (BOP) is a

- (a) Systematic records of all trade transaction between two countries.
- (b) Systematic records of all economic transaction between the residents of one country and the residents of the rest of the world in a year.
- (c) Systematic records of all debts to and debts from, other countries.
- (d) None of the above.

29. Balance of current account is

- (a) A narrow concept than the balance of trade
- (b) A broader concept than the balance of trade.
- (c) A restricted concept than balance of trade
- (d) A same as balance of trade.

30. Excess of total expenditure over total receipts is known as

- (a) Budgetary deficit
- (b) Revenue deficit
- (c) Fiscal deficit

(d) None of the above.

31. Fiscal policy refers to the policy of the

(a) Government finance

(b) Monetary authority

(c) Money lenders

(d) Commercial banks

32. The budget in which its tax revenue and expenditure are equal is called

(a) Surplus budget

(b) Balanced budget

(c) Unbalanced budget

(d) None of these.

33. The income of the government through all its sources is called

(a) Public expenditure (b) Public revenue

(c) Public finance (d) None of these.

34. What is the budgetary deficit?

(a) It is the difference between all receipts and expenditure

(b) It is the difference between all expenditure and receipts

(c) The difference between government loans and credits recovered

(d) Government assets and liabilities.

35. The policy of the government with regards to its revenue and expenditure is called

(a) Monetary policy (b) Trade policy

(c) Economic policy (d) Fiscal policy.

36. In India, deficit can be financed by

(a) Borrowing from the RBI

(b) Borrowing from the commercial banks

(c) Issue of new currency

(d) All of the above.

37. Deficit financing means

(a) Public expenditure in excess of public revenue

(b) Public revenue in excess of public expenditure

(c) Both (a) and (b)

(d) None of the above.

38. If borrowings and other liabilities are added to the budget deficits are get.....

(a) Fiscal deficit (b) Primary deficit

(c) Capital deficit (d) Revenue deficit,

39. Fiscal policy means

- (a) Planning policy
- (b) Credit policy
- (c) Taxation policy
- (d) Policy of expenditure and public debt policy.

40. Which of the following contributes most to India's external debt?

- (a) IMF loans
- (b) External commercial borrowings
- (c) External assistance
- (d) None of these.

41. Which of the following is not a productive public expenditure?

- (a) Expenditure on defense
- (b) Expenditure on infrastructure development
- (c) Expenditure on setting up basic industries
- (d) Expenditure to increase the welfare of the population.

42. How should the government respond when the economy is facing a depression?

- (a) Increase public expenditure
- (b) Reduce public expenditure
- (c) Increase direct tax
- (d) Increase indirect tax.

43. In the foreign trade of a country, which of the following must always balance?

- (a) The balance of trade
- (b) The balance of current account
- (c) The balance of current account minus the balance on capital account
- (d) The balance of payment.

44 To remove inequalities, the government uses\_\_\_\_\_.

- (a) Progressive taxes
- (b) Regressive taxes
- (c) indirect taxes
- (d) Proportional taxes

45. A tax that takes away a higher proportion of one's income as the income rises is termed as a

- (a) Progressive tax    (b) Proportional tax
- (c) Regressive tax    (d) Indirect tax

46. An income tax system is said to be progressive

- (a) If the rate of increase of the tax liability of tax paying unit is less than the rate of increase of its income

(b) If the rate of increase of the tax liability of tax paying unit is greater than the rate of increase of its income

(c) If the rate of increase of the tax liability of tax paying unit is equal to the rate of increase of its income

(d) If the rate of increase of the tax bears a multiplicative relation with rate of increase in income of tax paying unit

a. Excise duty is levied on sales volume.

b. Custom duties have been drastically cut down since 1991.

c. VAT has been adopted by two-three states in India.

d. Agriculture contributes the maximum to the direct tax revenues in India.

47. Transfer payments refer to payments which are made.

a. without any exchange of goods and services.

b. to workers on transfer from one job to another.

c. as compensation to employees.

d. none of the above.

50. Which of the following is not a current account transaction?

a. Exports

b. Insurance

c. Dividend

d. External Commercial Borrowings

48. If Budgetary Deficit is nil, borrowings and other liabilities are 70 crores, what is the amount of Fiscal Deficit?

a. Nil

b. 30 crores

c. Can't say

d. 70 crores.

49. Which of the following statements is correct?