Worksheet: Government Budget and the Economy

IB · Class 12 · Economics · 3 questions · 13 marks

Name: _____ Date: _____ Score: _____ / 13

Q1. From the following data, calculate: (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Primary Deficit. Revenue Expenditure = ₹1,200 crore. Capital Expenditure = ₹400 crore. Revenue Receipts = ₹800 crore. Capital Receipts (excluding borrowings) = ₹100 crore. Interest Payments (already included in Revenue Expenditure) = ₹200 crore. *[3 marks]*

Q2. Classify each of the following as revenue receipt, capital receipt, revenue expenditure, or capital expenditure with reasons: (a) Income tax collected; (b) Sale of government land; (c) Payment of pension to retired employees; (d) Construction of a new national highway; (e) Interest received by government on loans given to state governments; (f) Loan taken from the World Bank. *[4 marks]*

Q3. Why is a large fiscal deficit considered harmful for an economy? Explain the concept of 'fiscal consolidation' and India's experience with it. *[6 marks]*