

## 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]