FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY BASED INDIAN ECONOMY MCQ PRACTICE QUESTIONS AND ANSWERS PDF WITH EXPLANATION

For All Competitive SSC, Bank, IBPS, UPSC, Railway, IT & Other Govt. Exams

Created By Careericons Team

Q1. Fiscal Policy in India is formulated by

a) the Reserve Bank of India

b) the Securities and Exchange Board of India

c) the Planning Commission

d) the Finance Ministry

Q2. Basic infrastructure facilities in Economics are known as :

a) Working capital

b) Physical capital

c) Human capital

d) Social overheads capital

Q3. Match columns A and B wherein Column B defines Column A

Column A	Column B
I. Public Account	a. Consists of all revenues and loans received by the government
II. Consolidated fund	b. Comprises of the sum placed at the disposal of the President to meet unforeseen expenditure
III. Contingency fund	c. Consists of receipts and payments, which are in form of deposit account with the government, such as provident funds, small savings, etc

Codes: I II III
a) I-c, II-a, III-b

b) I-a, II-d, III-b

c) I-a, II-b, III-c

d) I-b, II-a, III-c

Q4. Fiscal Policy in India is formulated by

a) the Finance Ministry

b) the Planning Commission

c) the Reserve Bank of India

d) the Securities and Exchange Board of India

Q5. Which among the following is / are indirect taxes levied by Centre and state?

- Excise
- Custom
- Service tax
- Property tax
- Income tax

Choose the **correct** option from the codes given below:
a) 3 and 4

b) 1, 2 and 3

c) 1 and 2

d) 1, 2, 3 and 4

Q6. Which of the following is/are **types of Budget**?

- Capital budget
- Revenue budget

a) 1 only

b) 2 only

c) 1 and 2

d) Neither 1 nor 2

Q7. Match columns A and B wherein column B shows the tax to GDP ratio for a respective year in Column A

Column A	Column B
I. 1950-51	a. 10.60 %
II. 2007-08	b. 6 %
III. Present	c. 11.89 %

Codes: I II III

a) I-c, II-a, III-b

b) I-b, II-c, III-a

c) I-a, II-c, III-b

d) I-b, II-a, III-b

Q8. An economy is in equili-brium when

a) intended investment exceeds intended savings

b) planned consumption exceeds planned investment

c) planned consumption exceeds planned saving

d) intended investment equals intended investment

Q9. In which year was Service tax introduced?

- 1983-84
- 1994-95
- 1967-68
- 2003-2004

a) 1 only

b) 3 only

c) 2 only

d) 4 only

Q10. Match the following:

List	List II
(Planets)	**(Satellites)**
1. Fiscal deficit	A. Excess of total expenditure over total receipts less borrowing
2. Budget deficit	B. Excess of total expenditure over total receipts
3. Revenue deficit	C. Excess of revenue expenditure over revenue receipts
4. Primary deficit	D. Excess of total expenditure over total receipts less borrowings and interest payments

Select the answer using the following codes: 1 2 3 4
a) C A D B

b) A B C D

c) B A C D

d) D A B C

Q11. Consider the following statements Full convertibility of the rupee may mean

- Its free float with the international currencies.
- Its direct exchange with any other international currency at any prescribed place inside and outside the country. 3. It acts just like any other international currency.

Which of these statements are **correct**?
a) 1 and 2

b) 2 and 3

c) 1 and 3

d) 1, 2 and 3

Q12. Which one of the following is the **correct** statement? Service tax is a/an:

a) direct tax levied by the Central Government.

b) indirect tax levied by the State Government.

c) indirect tax levied by the Central Government.

d) direct tax levied by the State Government.

Q13. Which among the following taxes is **not** levied in India:

a) Minimum alternative tax

b) Dividend distribution tax

c) Capital gains tax

d) Estate duty

Q14. Interest on public debt is part of

a) Interest payments by households

b) Transfer payments by the government

c) Transfer payments by the enterprises

d) National income

Q15. Which of the following statements is/are **correct** in regards to Revenue budget?

- It consists of all capital receipts and expenditure such as domestic and foreign loans, loan repayment, foreign and etc
- It consists of all current receipts, such as taxation, dividends of public sector units (PSU's) and expenditure of the government

a) 1 only

b) 1 and 2

c) 2 only

d) Neither 1 nor 2

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Answers to the above questions :

Q1. Answer: (d)

The Department of Economic Affairs (DEA) under Ministry of Finance is the nodal agency of the Union Government to formulate and monitor country's economic policies and programmes having a bearing on domestic and international aspects of economic management.

Q2. Answer: (d)

Social overheads capital is the capital spent on social infrastructures, such as schools, universities, hospitals, libraries.

They are capital goods of types that are available to anybody, hence social; and are not tightly linked to any particular part of the production, hence overhead.

Because of their broad availability they often have to be provided by the government. Examples of social overhead capital include roads, schools, hospitals, and public parks.

Q3. Answer: (a)

The budget shows the receipts and payments of the government under three heads.

All revenues and loans received by the government comes under Consolidated fund, the sum placed at the disposal of the President to meet unforeseen expenditure falls under Contingency fund and receipts & payments which are in form of deposit account with the government comprises Public Account

INTRODUCTION TO MACRO ECONOMICS

MACRO FUNDAMENTALS, GDP, INVESTMENT, GROWTH

DEMAND & SUPPLY, PROFIT LOSS, INFLATION & PRICE INDEX

FISCAL POLICY, PUBLIC FINANCE AND MONETARY POLICY

MONEY SUPPLY, BANKING AND FINANCIAL INSTITUTIONS

TAXES TYPES, METHODS & BUDGETING PROCESS

BANKING, SECURITY MARKET & INSURANCE

Q4. Answer: (a)

The Department of Economic Affairs (DEA) under Ministry of Finance is the nodal agency of the Union Government to formulate and monitor country's economic policies and programmes having a bearing on domestic and international aspects of economic management.

Q5. Answer: (b)

Excise tax, custom duty and service tax are all indirect taxes while property tax and income tax are direct taxes.

Q6. Answer: (a)

There are two types of budgets

i.e., Revenue budget and Capital budget. The revenue budget contains all current receipts, such as taxation, (central excise, customs duty, corporation tax) dividends of public sector units (PSU's) and expenditure of the government.

The capital budget consists of all capital receipts and expenditures such as domestic and foreign loans, loan repayment, foreign and etc.

Q7. Answer: (b)

The tax to GDP ratio (centre and states together) was 6 percent in 1950-51, rose to 11.89 in 2007-08 and is currently around 10.60%

Q8. Answer: (d)

In economics, economic equilibrium is a state of the world where economic forces are balanced and in the absence of external influences, the (equilibrium) values of economic variables will not change.

The condition of equilibrium of income is the equality of intended saving and intended investment. An economy is in equilibrium when total savings equal total investment.

Q9. Answer: (c)

Service tax was introduced in 1994-95 to address the asymmetric and distortionary treatment of goods and services in tax framework and to widen the tax net

Q10. Answer: (b)

1. **Fiscal deficit** is excess of total expenditure over total receipts less borrowing.
2. **Budget deficit** is excess of total expenditure over total receipts.
3. **Revenue deficit** is excess of revenue expenditure over revenue receipts.
4. **Primary deficit** is excess of total expenditure over total receipts less borrowings and interest payments.

Q11. Answer: (d)

Q12. Answer: (c)

All taxes which are the personal liability of an assessee come under direct taxes.

They include income tax, professional tax, wealth tax, securities transaction tax, commodity transaction tax and the like.

On the other hand, the taxes which a person can recover from some other person but the liability of which remains of the person collecting such taxes are indirect taxes.

These are custom duty, excise, service tax, vat, CST and the like

Q13. Answer: (d)

Estate duty is a tax on assets left behind by a person upon his dealt, whereas inheritance tax is tax on assets inherited by a person. It started in 1953 in India and was abolished in 1985.

Q14. Answer: (b)

In economics, a transfer payment (or government transfer or simply transfer) is a redistribution of income in the market system. These payments are considered to be exhaustive because they do not directly absorb resources or create output.

Examples of certain transfer payments include welfare (financial aid), social security, and government making subsidies for certain businesses (firms). Government debt is the debt owed by a central government.

In the budget, it is listed among the transfer payments by the government.

Q15. Answer: (c)

Revenue budget contains information about taxation such as central excise, custom duty, corporation tax etc