

Class 12 Economics Chapterwise PYQs

2005-2026 | Selected CBSE Board Questions

Questions only. No answer key or worked solutions.

Chapter 5: Government Budget and the Economy

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HOW TO USE THIS BOOKLET

1. **Attempt a section** on your own. Questions run newest year first.
2. Time yourself while practising each group.
3. **Revise the citations.** Every question shows its year and set, so you can spot repeats.

Groups follow the marks recorded in the source index. Some entries are subparts of larger questions; group labels do not state the marks for each subpart.

SECTION A

Source group: 1 marks

27 practice questions and subparts

Newest year first. Refer to the original paper for part-wise marks.

1. Read the following statements: Assertion (A) and Reason (R). Choose the correct option from those given below: Assertion (A): Borrowing requirements of the government include interest obligations on debt as well. Reason (R): The goal of measuring primary deficit is to correct the prevailing fiscal imbalances.

Options:

- (A) Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- (B) Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- (C) Assertion (A) is true, but Reason (R) is false.
- (D) Assertion (A) is false, but Reason (R) is true.

[2026 | Set 58/3/1 | Q1]

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2. The main objective of measuring the primary deficit is to highlight present _____. (Choose the correct option to fill in the blank)

- (A) fiscal imbalances
- (B) fiscal balances
- (C) recovery of loans
- (D) cash grant-in-aid

[2025 | Set 58/4/1 | Q8]

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3. Read the following statements carefully: Statement 1: Foreign aids are the capital receipts for the government. Statement 2: Disinvestments may lead to a decrease in the assets of the government. In the light of the given statements, choose the correct option from the following:

- (A) Statement 1 is true and Statement 2 is false.
- (B) Statement 1 is false and Statement 2 is true.
- (C) Both Statements 1 and 2 are true.
- (D) Both Statements 1 and 2 are false.

[2025 | Set 58/5/1 | Q9]

4. "In the Annual Budget 2022-23, the Government of India set up disinvestment targets of Rs. 65,000 crore". Such proceeds from disinvestment can be classified as _____receipts in the Government Budget as it leads to _____of the Government. (Choose the correct alternative)
- (A) capital, decrease in assets
 - (B) revenue, increase in assets
 - (C) capital, increase in liabilities
 - (D) revenue, decrease in liabilities

[2023 | Set 58/2/1 | Q1]

5. In order to tackle the problem of rising general price level in an economy, government may come up with a surplus budget to achieve the budget objective of _____.
- (i) reallocation of resources
 - (ii) price stability
 - (iii) redistribution of income
- Alternatives:
- (A) (i) only
 - (B) (ii) only
 - (C) (iii) only
 - (D) (i) and (iii)

[2023 | Set 58/2/1 | Q8]

6. 'Free distribution of LPG connection to poor people is a sign of social justice' Identify the 'Objective of Government Budget' from the above mentioned statement. (Choose the correct alternative)

- (A) Promote Economics Growth
- (B) Management of public enterprises
- (C) Create equitable distribution of income
- (D) Create fluctuation in revenue of the government

[2022 | Set 58/3/4 (Term I) | Q1]

7. Read the following statements carefully and choose the correct alternative.
Statement 1: Recovery of loans is a non - debt creating capital receipt.
Statement 2: Recovery of loans cause a reduction in assets of the government.
Alternative:
- (A) Statement 1 is true and statement 2 is false.
 - (B) Statement 2 is true and statement 1 is false.
 - (C) Both the statements are true.
 - (D) Both the statements are false.

[2022 | Set 58/3/4 (Term I) | Q19]

8. is/are debt creating capital receipts for the Government. 1 (Choose the correct alternative)
- (A) Recovery of loans from State governments
 - (B) Sale of Public Sector Undertakings
 - (C) Borrowings from World Bank
 - (D) Partial sale of government shares in a company

[2022 | Set 58/3/4 (Term I) | Q54]

9. Read the following statements carefully and choose the correct alternative from the following Statement 1: Government Budget is a detailed economic statement presented by Finance Minister. Statement 2: Government Budget consists of financial programmes and policies of the government for the next year. Alternatives:

- (A) Both the Statement are true
- (B) Both the Statement are false
- (C) Statement 1 is true and statement 2 is false
- (D) Statement 2 is true and statement 1 is false

[2022 | Set 58/3/4 (Term I) | Q8]

10. Fiscal deficit can be estimated using the formula _____. (Fill in the blank with the correct formula)

[2020 | Set 58/1/1 | Q6]

11. Government expenditure incurred on defence items is a type of _____ expenditure in the Government Budget. (Fill in the blank with correct answer) .

[2020 | Set 58/2/1 | Q6]

12. If the Government establishes a new university, this expenditure incurred in the Government Budget will be a type of _____ expenditure. (Fill in the blank with the correct answer)

[2020 | Set 58/2/2 | Q6]

13. State, whether the following statement is true or false : “Government budget is an annual statement showing actual receipts and actual payments of the government for the last fiscal year.” .

[2020 | Set 58/3/1 | Q3]

14. Give any one example of ‘debt creating capital receipts’ in the Government Budget.

[2020 | Set 58/4/2 | Q9]

15. _____ is an example of a non-tax revenue receipt. (Fill in the blank with the correct answer)

16. What is meant by primary deficit ?

[2019 | Set 58/1/1 | Q16A]

17. State the meaning of revenue deficit.

[2019 | Set 58/1/1 (Compartment) | Q16]

18. Primary deficit in a government budget will be zero, when _____ .
(Choose the correct alternative)

- (A) Revenue deficit is zero
- (B) Net interest payments are zero
- (C) Fiscal deficit is zero
- (D) Fiscal deficit is equal to interest payment

[2019 | Set 58/2/1 | Q13]

19. State any two examples of non-tax revenue receipts of the government.

[2019 | Set 58/4/2 | Q13A]

20. Suppose you are a member of the “Advisory Committee to the Finance Minister of India”. The Finance Minister is concerned about the rising Revenue Deficit in the budget. Suggest any one measure to control the rising Revenue Deficit of the government.

[2019 | Set 58/4/2 | Q14]

21. What are revenue receipts in a government budget ?

[2016 | Set 58/1/2 | Q19]

22. What is revenue deficit in government budget ?

23. Primary deficit in a government budget is : (Choose the correct alternative)

- (A) Revenue expenditure - Revenue receipts
- (B) Total expenditure - Total receipts
- (C) Revenue deficit - Interest payments
- (D) Fiscal deficit - Interest payments

[2015 | Set 58/1 | Q17]

24. Which of the following is not a revenue receipt ? (Choose the correct alternative).

- (A) Recovery of loans
- (B) Foreign grants
- (C) Profits of public enterprises
- (D) Wealth tax

[2015 | Set 58/1 (Compartment) | Q17]

25. Which of the following is a correct measure of primary deficit ? (Choose the correct alternative)

- (A) Fiscal deficit minus revenue deficit
- (B) Revenue deficit minus interest payments
- (C) Fiscal deficit minus interest payments
- (D) Capital expenditure minus revenue expenditure

[2015 | Set 58/1 (Compartment) | Q18]

26. The non-tax revenue in the following is : (choose the correct alternative)

- (A) Export duty
- (B) Import duty
- (C) Dividends
- (D) Excise

27. Give two examples of non-tax revenue receipts.

[2014 | Set 58/1/1 (Compartment) | Q20]

SECTION C

Source group: 3 marks

9 practice questions and subparts

Newest year first. Refer to the original paper for part-wise marks.

28. “As per the Economic Survey of India 2022-23, due to the outbreak of geopolitical conflict, the result was higher international prices for fertilizer and fuel. Thus, there was a higher fuel and fertilizer subsidy requirement for supporting the people.” On the basis of given text, identify and explain the indicated objective of the government budget.

[2025 | Set 58/5/1 | Q12]

29. From the following data, calculate Fiscal deficit : Particulars Amount (in Rs. crores)

- (i) Tax Revenue 1,000
- (ii) Revenue Expenditure 3,821
- (iii) Non-tax Revenue 2,000
- (iv) Recovery of Loans 135
- (v) Capital Expenditure 574
- (vi) Disinvestment 100
- (vii) Interest Payments 1,013

[2020 | Set 58/3/1 | Q12b]

30. From the following data, calculate Fiscal deficit : Particulars Amount (in Rs. crores)

- (i) Tax Revenue 1,200
- (ii) Revenue Expenditure 3,700
- (iii) Non-tax Revenue 2,000
- (iv) Recovery of Loans 145
- (v) Capital Expenditure 500
- (vi) Disinvestment 120
- (vii) Interest Payments 1,070

[2020 | Set 58/3/2 | Q12b]

31. From the following data, calculate Fiscal deficit : Particulars Amount (in Rs. crores)

- (i) Non-tax Revenue 2,300
- (ii) Tax Revenue 1,000
- (iii) Recovery of Loans 145
- (iv) Revenue Expenditure 3,500
- (v) Capital Expenditure 580
- (vi) Disinvestment 300
- (vii) Interest Payments 1,013

[2020 | Set 58/3/3 | Q12b]

32. Is the following a revenue receipt or a capital receipt in the context of government budget and why ?

- (i) Tax receipts
- (ii) Disinvestment

[2014 | Set 58/1 | Q24]

33. Giving reason, state whether the following is a revenue expenditure or a capital expenditure in a government budget :

- (i) Expenditure on scholarships
- (ii) Expenditure on building a bridge

[2014 | Set 58/2/1 | Q24]

34. How can a government budget help in reducing inequalities of income? Explain.

[2009 | Set 58/1/1 | Q24]

35. Give the meaning of revenue deficit, fiscal deficit and primary deficit.

[2009 | Set Outside Delhi (code unavailable in mirror) | Q26]

36. What is meant by revenue deficit ? What are its implications ?

[2005 | Set 58/1/1 | Q16]

SECTION D

Source group: 4 marks

29 practice questions and subparts

Newest year first. Refer to the original paper for part-wise marks.

37. (a) Distinguish between Revenue Expenditure and Capital Expenditure with the help of suitable examples.

[2026 | Set 58/3/1 | Q13]

38. (b) Using suitable examples, distinguish between Revenue Receipts and Capital Receipts.

[2026 | Set 58/3/1 | Q13-OR1]

39. Distinguish between Tax Revenue and Non-Tax Revenue. (b) State any one example of Capital Expenditure.

[2020 | Set 58/1/2 | Q13]

40. “The Government Budget of a country cannot have fiscal deficit without the existence of revenue deficit.” Defend or refute the given statement.

[2020 | Set 58/2/1 | Q15]

41. Elaborate the objective of ‘allocation of resources’ in the Government Budget.

[2020 | Set 58/4/1 | Q13]

42. Distinguish between fiscal deficit and revenue deficit in a Government Budget.

[2020 | Set 58/C/1 (Compartment) | Q15]

43. How are capital receipts different from revenue receipts ? Discuss briefly.

[2019 | Set 58/1/1 | Q19]

44. How are tax receipts different from non-tax receipts ? Discuss briefly. (b) State any two items of revenue expenditure in a Government budget.

[2019 | Set 58/1/3 | Q21]

45. Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer. Financial help from a multinational corporation for victims in a flood affected area.

[2019 | Set 58/2/1 | Q19a]

46. Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer. Sale of shares of a Public Sector Undertaking (PSU) to a private company, Y Ltd.

[2019 | Set 58/2/1 | Q19b]

47. Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer. Dividends paid to the Government by the State Bank of India.

[2019 | Set 58/2/1 | Q19c]

48. Classify the following statements as revenue receipts or capital receipts. Give valid reasons in support of your answer. Borrowings from International Monetary Fund (IMF).

[2019 | Set 58/2/1 | Q19d]

49. Discuss briefly the role of the government budget in influencing “allocation of resources” in the economy.

[2019 | Set 58/4/2 | Q20B]

50. State whether the following statements are true or false. Support your answer with reason. Revenue deficit increases when government fails to recover loans forwarded to different nations.

[2019 | Set 58/5/1 | Q19b]

51. Define capital receipts in a government budget.

[2017 | Set 58/1 (Compartment) | Q19]

52. What is government budget ? Explain how taxes and subsidies can be used to influence allocation of resources.

[2016 | Set 58/1/1 | Q27A]

53. Define revenue receipts in a government budget. Explain how government budget can be used to bring in price stability in the economy.

[2016 | Set 58/1/1 | Q27B]

54. What are revenue receipts ? Explain the role of government budget in bringing stability in the economy.

[2016 | Set 58/2/1 | Q27A]

55. What is government budget ? Explain the role of government budget in influencing allocation of resources in the economy.

[2016 | Set 58/2/1 | Q27B]

56. Explain. the 'redistribution of income' objective of a government budget.

57. Explain the 'economic stability' objective of a government budget.

[2011 | Set 58/1 | Q27B]

58. Distinguish between: Revenue deficit and fiscal deficit

[2009 | Set 58/1/1 | Q29(ii)]

59. Explain any two objectives of a government budget.

[2009 | Set Outside Delhi (code unavailable in mirror) | Q28]

60. Distinguish between 'fiscal deficit' and 'revenue deficit'. What does fiscal deficit indicate ?

[2007 | Set 58/1 | Q21]

61. Distinguish between 'revenue receipt' and 'capital receipt' and give two examples of each.

[2007 | Set 58/1/1 | Q20]

62. What is 'fiscal deficit' ? What are its implications ?

[2007 | Set 58/1/1 | Q21]

63. Distinguish between direct tax and indirect tax. Give two examples of each.

[2007 | Set 58/2/1 | Q20]

64. Distinguish between : Revenue receipts and capital receipts.

[2005 | Set 58/1/1 | Q21(i)]

65. Distinguish between : Direct tax and indirect tax.

[2005 | Set 58/1/1 | Q21(ii)]

Source group: 6 marks

38 practice questions and subparts

Newest year first. Refer to the original paper for part-wise marks.

66. Refer the given text carefully: According to the Economic Survey 2024-25, the government budget's projections for the fiscal year 2025-26 indicate that gross direct tax revenue will rise by 12.7%, while gross indirect tax collections are expected to grow by 8.3% relative to FY 2024-25. Direct taxes include income tax and corporate tax, reflecting earnings and profits of households and firms. It plays a key role in revenue growth of the government. Indirect taxes encompass Goods and Services Tax (GST), custom duties and other transaction-based levies. Higher growth rate projected for direct taxes suggests a push to enhance tax buoyancy through improved compliance and reforms. On the other hand, indirect taxes are expected to benefit from consumption trends and Goods and Services Tax (GST) administration improvements. The balance tax strategy aims to mobilise resources while supporting fiscal consolidation and sustainable economic growth. On the basis of the above passage and common understanding, answer the following questions:
- (i) Differentiate between the two types of taxes indicated in the above text, with suitable examples.
 - (ii) Elaborate the likely consequences of the tax projections made by the government.

[2026 | Set 58/1/1 | Q17]

67. Read the following text carefully: The government has allocated ₹ 15.27 lakh crore for major sectors, ranging from defence to rural development to social welfare to commerce and so on. Government expenditure goes to paying states' share of taxes and duties. Around 19% is spent on interest payments and 16% on central sector schemes, with subsidies, pension and other payments contributing 19%. Government revenue is divided between borrowings and other liabilities, which account for massive 27% of the incoming cash, Income tax revenue of around 19% Goods and Services Taxes (GST) and other taxes of around 18%; Corporation taxes account for around 17%. The next highest provision on this list is ₹ 2.66 lakh crore for rural development. This will include expenditure on rural infrastructure project and increased outlay for the popular

MGNREGA scheme. On the basis of given text and common understanding, answer the following questions:

- (i) Identify the major sources of government revenue and state what percentage does each one of them contribute.
- (ii) Discuss the need to allocate funds among different sectors of the economy.

[2026 | Set 58/2/1 | Q17]

68. “The Credit Linked Subsidy Scheme (CLSS) is a key component of the Pradhan Mantri Awas Yojana (PMAY), aimed at providing affordable housing for the Economically Weaker Sections (EWS), Lower-income Groups (LIG), and Middle-income Groups (MIG) in India.” Identify and explain the government budget objective highlighted in the above statement.

[2026 | Set 58/4/1 | Q16(i)]

69. Differentiate between the two types of tax revenue sources of the government.

[2026 | Set 58/4/1 | Q16(ii)]

70. (b)

- (i) Medha, an economics student, was studying about the expenditure on defence incurred by the government in the form of acquiring new platforms (jets, submarines etc.), and salaries and pensions of armed forces personnel. She classified both the expenditures as capital expenditure. Do you agree with Medha’s views? Give valid explanation in support of your answer.
- (ii) If, for an economy, Primary Deficit is ₹ 1,000 crore and interest payments are 20% of total borrowings of the government, then calculate the value of fiscal deficit.

[2026 | Set 58/4/1 | Q16-OR1]

71. Explain the stabilisation function of the Government Budget.

[2024 | Set 58/1/2 | Q16-VI]

72. Distinguish between direct tax and indirect tax with the help of suitable examples.

[2024 | Set 58/2/1 | Q16(b)]

73. Explain the 'redistribution of income' objective of the Government Budget.

[2024 | Set 58/2/1 | Q16(ii)]

74. Explain the 'reallocation of resources' objective of Government Budget.

[2024 | Set 58/2/2 | Q16]

75. (b) Suppose the following data is presented for an imaginary economy:

(i) S. No. Items Amount (in ₹ crore)

(i) Tax Receipts 1,200

(ii) Revenue Expenditure 3,700

(iii) Non-Tax Receipts 2,000

(iv) Recovery of Loans 145

(v) Capital Expenditure 500

(vi) Disinvestment 120

(vii) Interest Payments 1,070 Calculate Revenue Deficit and Fiscal Deficit.

(ii) Differentiate between public provision and public production.

[2024 | Set 58/2/2 | Q16-OR1]

76. State the meaning and formula of Primary deficit.

[2024 | Set 58/4/2 | Q16(ii)]

77. Distinguish between Revenue Expenditure and Capital Expenditure of a government, with suitable example.

[2024 | Set 58/5/1 | Q16(a)]

78. "Under the 'Production Linked Incentive' scheme, the Government of India offers various benefits like reduced import-export duties, incentives to

investors, tax-rebates etc.” In the light of above statement, identify and explain the Budget objective and its likely consequences.

[2024 | Set 58/5/1 | Q16(ii)]

79. Distinguish between Revenue Receipts and Capital Receipts of the government, with suitable example.

[2024 | Set 58/5/2 | Q16(a)]

80. Distinguish between Tax Revenue and Non-tax Revenue, with suitable examples.

[2024 | Set 58/5/2 | Q16(ii)]

81. Responding to the Prime Minister’s ‘Give it up campaign’ a large number of Indian families have voluntarily surrendered their cooking gas subsidy. Identify and explain the objective behind this action taken by the Government of India.

[2024 | Set 58/5/3 | Q16(ii)]

82. “Under ‘Zero Defect, Zero Effect’ (ZED) scheme, the Government of India provides up to 80% subsidy to Micro, Small and Medium Enterprises (MSMEs).” Identify and explain the objective of government budget, highlighted in the above text.

[2024 | Set 58/5/3 | Q16(ii)]

- 83.** (i) From the following data, calculate the primary deficit. SNo. Particulars
Amount (in Rs. crore)
- (i) Revenue deficit 40
 - (ii) Non-debt creating capital receipts 190
 - (iii) Tax revenue 125
 - (iv) Capital expenditure 220
 - (v) Interest payments 20
- (ii) Elaborate 'Economic stability' function of the Government Budget.

[2023 | Set 58/1/1 | Q17-OR1]

- 84.** State any two examples of revenue expenditure of the Government.

[2023 | Set 58/3/2 | Q16(ii)]

- 85.** State the meaning of 'primary deficit' in the government budget.

[2023 | Set 58/3/2 | Q16(ii)]

- 86.** "Government provides essential items like food grains almost free to the families below poverty line." Identify and explain the objective of the government budget indicated.

[2023 | Set 58/4/1 | Q17(a)]

- 87.** (b) State whether the following statements are true or false, with valid reasons:
- (i) High tax on higher income groups aims to achieve the 'reallocation of resources' objective of the Government.
 - (ii) Borrowings are a revenue receipt of the government.
 - (iii) Fiscal deficit always leads to inflation.

[2023 | Set 58/4/1 | Q17-OR1]

88. Distinguish between revenue receipts and capital receipts of the government.
(b) Do 'disinvestment' and 'loan proceeds from abroad' constitute revenue receipts of the government ? Give reason.

[2019 | Set 58/3/1 | Q22A]

89. Given the following data estimate the values of
(i) Revenue deficit, and
(ii) Fiscal deficit : S.No. Particulars Amount (in Rs. Crores) 1 Tax Revenue 1,000 2 Non-Tax Revenue 150 3 Net Borrowings by Government 780 4 Disinvestment Proceeds 50 5 Revenue Expenditure 1,500 6 Capital Expenditure 480

[2019 | Set 58/3/1 | Q22B]

90. Explain the distinction between the following : Revenue expenditure and Capital expenditure in a government budget

[2018 | Set 58/1 (Re-exam) | Q22Aa]

91. Explain the distinction between the following : Primary deficit and Fiscal deficit

[2018 | Set 58/1 (Re-exam) | Q22Ab]

92. Explain the distinction between Revenue receipts and Capital receipts in a government budget. Give their components.

[2018 | Set 58/1 (Re-exam) | Q22B]

93. Explain how government budget can be helpful in bringing economic stabilization in the economy.

[2017 | Set 58/1 | Q26]

94. Government provides essential items of food grains almost free to the families below the poverty line. Which objective the government is trying to fulfil through the government budget and how ? Explain.

95. Explain how the economic stabilization objective can be fulfilled through the government budget.

[2017 | Set 58/1 (Compartment) | Q28B]

96. Explain how government budget can be used to influence distribution of income ?

[2017 | Set 58/1/1 | Q25]

97. The Government, under Ujjwala Yojana, is providing free LPG kitchen gas connections to the families 'below the poverty line'. What objective the government is trying to fulfil through the government budget and how ? Explain.

[2017 | Set 58/1/1 (Compartment) | Q28A]

98. Explain how the allocation of resources can be influenced in the government budget through taxes, expenditure and subsidies.

[2017 | Set 58/1/1 (Compartment) | Q28B]

99. Giving reasons, classify the following into revenue receipts and capital receipts :
(i) Recovery of loans
(ii) Profits of public sector undertakings
(iii) Borrowings

[2017 | Set 58/2/1 | Q23]

100. Explain how can government budget be useful in influencing allocation of resources in an economy.

[2017 | Set 58/2/1 | Q25]

101. What are non-debt creating capital receipts ? Give two examples of such receipts.

[2017 | Set 58/3 | Q26]

102. Explain the role of government budget in fighting inflationary and deflationary tendencies.

[2015 | Set 58/2/1 | Q28]

103. Distinguish between : Primary deficit and Revenue deficit

[2014 | Set 58/1 (Compartment) | Q32b]