Rec & Exp of Gov - Reason-based (Comp. of Sub)

Q.1. Tax received by the government is a capital receipt.

Ans. False. Tax received by the government is not a capital receipt, it is a revenue receipt because it neither leads to creation of liability nor to reduction in assets.

Q.2. Capital receipts do not reduce assets of the government.

Ans. False. Capital receipts are those receipts of the government which either create a liability for the government or cause a reduction in its assets.

Q.3. Money received through disinvestment is treated as revenue receipt.

Ans. False. Money received through disinvestment is treated as capital receipt because it causes reduction in assets of the government.

Q.4. Gift tax is a revenue receipt.

Ans. True. Gift tax is a revenue receipt because it does not involve any corresponding liability for the government.True. Gift tax is a revenue receipt because it does not involve any corresponding liability for the government.

Q.5. Wealth tax is a direct tax.

Ans. True. Wealth tax is a direct tax because its burden cannot be shifted to other persons.

Q.6. Recovery of loans is a revenue receipt.

Ans. False. Recovery of loans is a capital receipt because it leads to reduction in assets.

Q.7. Borrowings by the government are capital receipts.

Ans. True. Borrowings by the government are capital receipts because they create a liability for the government.

Q.8. When the rate of taxation increases with increase in income, it is called regressive tax

Ans. False. When the rate of taxation increases with increase in income, it is called progressive tax.

Q.9. When sales tax is imposed on a baker, he himself bears the final burden of it.

Ans. False. When sales tax is imposed on a baker, he does not bear the final burden of it. The baker charges this tax from the customers by adding it to the price of the goods sold. Thus, the impact of sales tax is finally borne by the customers, not the baker.

Q.10. Revenue expenditure does not create assets for the government.

Ans. True. Revenue expenditure refers to that expenditure of the government which neither creates assets nor causes a reduction in liabilities for the government.

Q.11. Shares purchased by the government is an example of revenue expenditure.

Ans. False. Shares purchased by the government is an example of capital expenditure because it creates assets for the government.

Q.12. Expenditure on interest payment is a capital expenditure.

Ans. False. Expenditure on interest payment is a revenue expenditure because it neither creates assets nor causes a reduction in liabilities for the government.

Q.13. Expenditure as a relief to the flood victims is a plan expenditure.

Ans. False. Expenditure as a relief to the flood victims is a non-plan expenditure because it is not related to plans and programmes of development.

Q.14. Expenditure related to assistance of the central government to the state governments is a non-plan expenditure.

Ans. False. Expenditure related to assistance of the central government to the state governments is a plan expenditure.