Class XII

Read the following hypothetical text and answer the given questions: -

GDP growth is the central objective of government budgetary policy. It is achieved in two ways: (i) by making public investment expenditure, and (ii) by inducing private investment expenditure (through tax rebates and subsidies). Allocation of Resources: Private enterprises will always desire to allocate resources to those areas of production where profits are high. However, it is possible that such areas of production (like production of alcohol) may not promote social welfare. Through its budgetary policy, the government of a country directs the allocation of resources in a manner such that there is a balance between the goals of profit maximisation and social welfare. Production of goods which are injurious to health (like Cigarettes and Whisky) is discouraged through heavy taxation. On the other hand, production of 'socially useful goods' (like, 'Khadi') is encouraged through subsidies

1. Public enterprises will always desire to allocate resources to those areas of production, where: -

a. Profits are high
a. Cost is low
b. Social welfare is high
c. Revenue is high

2. GDP growth is the central objective of government budgetary policy.

a. True
a. False

3. Suitable title for the passage

a. GDP
a. Private enterprises
b. Subsidies
c. Government Budget

4. In country like India, which sector is to be emphasised?

a. Private
a. Public
b. Both
c. None

Answers

XII –

(1) C

(2) A

(3) D

(4) C