Q12

Which of the following is/are included in the capital budget of the Government of India? 1. Expenditure on acquisition of assets like roads, buildings, machinery, etc. 2. Loans received from foreign governments 3. Loans and advances granted to the States and Union Territories Select the correct answer using the code given below (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 Official key: D.

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Indian economy, budget, schemes - Prelims GS Paper I.

Explanation

(a)

Acquisition of assets only. Capital expenditure on roads, buildings and machinery is in the capital budget, but foreign loans received and loans given to States/UTs are also capital-account items. 1 alone is incomplete.

(b)

2 and 3 only. Those are capital receipts and capital outgo, yet asset creation is the classic capital-expenditure head. Dropping 1 is not the key.

(c)

1 and 3 only. Foreign loans received are capital receipts in the Union budget. Omitting 2 is not the key.

(d) Official key

1, 2 and 3. The capital budget covers capital expenditure (asset creation), capital receipts (including loans from abroad) and capital disbursements such as loans and advances to States and Union Territories. That stored letter is the official key.

Summary

Official key is (d) 1, 2 and 3. Capital budget = capital receipts plus capital expenditure. Buying assets, taking foreign loans and lending to States/UTs all sit on that account, not on the revenue account. Honour the stored letter (d).

Related possible facts

These can be asked in a future Prelims paper.

Capital receipts examples

Borrowings, disinvestment, recoveries of loans

Revenue budget
Tax/non-tax revenue and revenue expenditure

Loans to States
Capital expenditure from the Union's point of view

External assistance
Often a capital receipt when it is a loan

Fiscal deficit identity
Total expenditure minus non-debt receipts