



ST. LAWRENCE HIGH SCHOOL



A Jesuit Christian minority Institution

Subject: Economics Class- XI

Date:14/11/2020

Answer key of Worksheet-3

Chapter- Fiscal Policy

Topic- Direct tax, indirect tax and their comparison

1. Choose the correct alternative. 1x15=15
- a) Which one is not a characteristic of Taxes i) tax is legal obligatory ii) **Government is under legal obligation to pay anything in exchange of tax** iii) Government spends the money collected in the form of taxes on different welfare activities iv) none of these
- b) Fees for licenses and fines are examples of i) **administrative receipts** ii) commercial receipts iii) tax revenue iv) none of these
- c) Income of the government from different public sector undertaking is example of i) i) administrative receipts ii) **commercial receipts** iii) tax revenue iv) none of these
- d) When government collect funds by selling bonds to public that is known as i) administrative receipts ii) commercial receipts iii) **public debt** iv) none of these
- e) When burden of tax directly falls on the taxpayers, that is known as i) proportional tax ii) **direct tax** iii) indirect tax iv) none of these
- f) Goods and services tax is an example of i) regressive tax ii) progressive tax iii) direct tax iv) **indirect tax**
- g) In case of direct tax i) **tax is imposed on income and wealth of a person** ii) tax is imposed on production, sale import or export iii) tax can be avoided iv) none of these
- h) In case of indirect tax i) **tax can be avoided** ii) tax can not be avoided iii) impact of tax falls on the taxpayers iv) none of these

i) One of the merits of indirect tax is that i) in this tax system people pay according to their ability to pay ii) it removes inequality in distribution of income iii) It is not compulsory iv) none of these

j) The disadvantages of direct tax system are that i) saving and investment may be reduced ii) in underdeveloped countries very little amount tax revenue can be collected iii) it affects incentive to work adversely iv) all of the above

k) One of the merits of direct tax system is that i) It helps to remove inequality in distribution of income ii) It can be avoided iii) it has adverse effect on incentives to work iii) all of the above

l) One of the disadvantages of indirect tax i) government can collect more revenue through this tax system because more people can be covered in this system ii) it helps to keep export and import under control iii) the ability to pay principle is not followed in this system iv) none of these

m) Merits of indirect tax system are i) there is no difference between rich and poor in this tax system ii) it can be avoided, it is not compulsory iii) burden of indirect tax falls heavily on the poor iv) both (1) and (2)

n) From the standpoint of equity i) indirect tax is preferred to direct tax ii) direct tax is more preferred to indirect tax iii) both the tax systems are equal iv) none of the above

o) From the standpoint of revenue i) indirect tax is more preferred to direct tax ii) direct tax is more preferred to indirect tax iii) both the tax systems are equal iv) none of the above

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