

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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## The Government: Functions & Scope Revised Notes

Q16. Define Direct taxes and Indirect taxes. Also give two examples of each.

Ans. Direct taxes are those taxes which are levied immediately on the property and person's income. These taxes are paid directly to the government by the public. Examples are income tax, wealth tax, corporation tax, etc. Indirect taxes are those taxes which affect the income and property of persons through their consumption expenditure. These taxes are levied on one person but paid by another person. Examples are customs duties, excise duties, sales tax, service tax, etc.

Q17. What are the three major ways of Public Expenditure?

Ans. Three major ways of Public Expenditure are as follows:

1. Revenue and Capital expenditures
2. Plan and Non plan expenditures
3. Development and Non developmental expenditures

Q18. Explain the four different concepts of Budget deficit.

Ans. The four different concepts of Budget deficit are as follows:

1. Budget Deficit: It is the difference between the total expenditure, current revenue and net internal, external capital receipts of the state. It is calculated by  $B.D = B.E - B.R$ . (where B.D is budget deficit, B.E is budget expenditure and B. R is budget revenue).

2. Fiscal Deficit: It is the difference between the total expenditure of the government, the revenue receipts + government's accrued capital receipts. It is calculated by  $F.D = B.E - B.R$  ( $B.E > B.R$  other than borrowings). F.D is fiscal deficit, B.E is budget expenditure, B.R is budget receipts.

3. Revenue Deficit: It is the excess of government's revenue expenditures over revenue receipts. It is calculated as  $R.D = R.E - R.R$ . (when R.D is revenue deficit, R.E is revenue expenditure, R.R is revenue receipts).

4. Primary Deficit: It is the fiscal deficit which is subtracted from interest payments. It is calculated as  $P.D = F.D. - I.P.$  (when P.D is primary deficit, F.D is fiscal deficit and I.P is interest payment).

Q19. Explain the objectives of the Government Budget.

Ans. Mentioned below the main objectives of the Government Budget:

1. Activities to secure reallocation of resources – The government has to reallocate resources with social and economic considerations.
2. Redistribution activities – The government redistributes incomes and wealth to reduce inequalities
3. Stabilizing activities - The government tries to prevent business fluctuations and maintain economic stability.
4. Management of public enterprises – Government undertakes commercial activities that are of the nature of natural monopolies, heavy manufacturing etc., through its public enterprises.

Q20. What are the Non Tax Revenue receipts?

Ans. Below mentioned are the Non tax revenue receipts:-

1. Commercial Revenue – it comprises of postage payments, tolls, interest on funds borrowed from government, credit corporations, railways, and postal department, also electricity services.
2. Interest and dividends
3. Administrative revenue like fees, penalties, fines, etc.