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शक्तिउत्थानआश्रमलखीसरायबिहार

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The Government: Functions & Scope Revised Notes

Q21. The following figures are based on budget estimates of Govt. of India for the year 2016-17. Calculate

- 1. Fiscal deficit**
- 2. Revenue deficit**
- 3. Primary deficit**

ITEMS	RS. BILLIONS
A) Revenue receipts	2,31,745
i) Tax Revenue	1,63,031
ii) Non-tax Revenue	68,714
B) Capital receipts	1,43,478
i) Recoveries of loans	15,164
ii) Other receipts	12,000
iii) Borrowings and other liabilities	1,16,314
C) Revenue expenditure	3,10,566
i) Interest payments	1,12,300
ii) Major subsidies	27,845
iii) Defence Expenditure	1,70,421
D) Capital Expenditure	64,657
E) Total Expenditure	3,75,223
i) Plan expenditure	1,00,100
ii) Non-plan expenditure	2,75,123

Ans.

- 1. Fiscal deficit = total expenditure – revenue receipts – non debt receipts**
= 3, 75,223-2, 31,745-(15,164+12,000)
= Rs. 1, 16,314 billion
- 2. Revenue deficit = revenue expenditure – revenue receipts**
= 3, 10,566-2, 31,745
= Rs. 78,821 billion
- 3. Primary deficit = fiscal deficit – interest payments**
= 1, 16, 314-1, 12, 300
= Rs. 4014 billion

Q22. What is a balanced government budget? Explain the multiplier effect of a balanced budget.

Ans. The government budget balance, also alternatively referred to as general government balance, public budget balance, or public fiscal balance, is the overall difference between government revenues and spending. A balanced budget simply refers to a budget in which expenses do not exceed revenues. This term can be used with any entity's budget, such as that of a business, non-profit organization or even a family. However, the term is most often associated with a government budget. A successfully balanced budget demonstrates a measure of fiscal health, showing a level of spending that remains in step with costs.

The multiplier effect of a balanced budget are as follows:

- 1. The balanced-budget multiplier measures the change in aggregate production triggered by an autonomous change in government taxes.**
- 2. This multiplier is useful in the analysis of fiscal policy changes that involves both government purchases and taxes.**
- 3. The balanced-budget multiplier is equal to one. The "positive" impact on aggregate production caused by a change in government purchases is largely, but not completely, offset by the "negative" impact of the change in taxes.**
- 4. The only part of the impact of the change in government purchases not offset by the change in taxes is the purchase of aggregate production made by the initial injection. Hence, the change in aggregate production is equal to the initial change in government purchases.**