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शक्तिउत्थानआश्रमलखीसरायबिहार

Class 12 commerce Sub. ECO/B Date 18.01.2021

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The Government: Functions & Scope Revised Notes

Q23. Explain the objectives of resource allocation and income distribution in a government budget.

Ans. Government prepares the budget for fulfilling certain objectives. These objectives are the direct outcome of government's economic, social and political policies.

1. Allocation of resources: Through the budgetary policy, Government aims to reallocate resources in accordance with the economic (profit maximisation) and social (public welfare) priorities of the country. To encourage investment, government can give tax concession, subsidies etc. to the producers.

2. Reducing inequalities in income and wealth: Government aims to reduce such inequalities of income and wealth, through its budgetary policy. Government aims to influence distribution of income by imposing taxes on the rich and spending more on the welfare of the poor.

3. Economic Growth: The growth rate of a country depends on rate of saving and investment. For this purpose, budgetary policy aims to mobilise sufficient resources for investment in the public sector.

4. Reducing regional disparities: The government budget aims to reduce regional disparities through its taxation and expenditure policy for encouraging setting up of production units in economically backward regions.

5. Management of Public Enterprises: There are large numbers of public sector industries, which are established and managed for social welfare of the public. Budget is prepared with the objective of making various provisions for managing such enterprises and providing those financial help.

Q24. How is tax revenue different from administrative revenue?

Ans. The income of the government through all sources is called public income or public revenue. Tax Revenue - Taxes are compulsory contributions imposed by the government on its citizens to meet its general expenses incurred for the common good, without any corresponding benefits to the tax payer. A tax is levied to meet public spending incurred by the government in the general interest of the nation. It is a payment for an indirect service to be made by the government to the community as a whole. Taxes constitute a significant part of public revenue in modern public finance. Taxes have macro-economic effects. Taxation can affect the size and mode of consumption, pattern of production and distribution of income and wealth. Administrative Revenue - Under public administration, public authorities can raise some funds in the form of fees, fines and penalties, and special assessments. Fees are charged by the government or public authorities for rendering a service to the beneficiaries. Court fees, passport fees, etc., fall under this category. Similarly, licence fees are charged to confer a permission for something by the controlling authority, e.g., driving licence fee, import licence fee, liquor permit fee, etc. Fines and penalties are levied and collected from offenders of laws as punishment. Here the main object of these levies is not so much to earn an income as to prevent the commission of offences and infringement of laws of the country.