

# VIDYA BHAWAN BALIKA VIDYA PITH

शक्तिउत्थानआश्रमलखीसरायबिहार

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Teacher name – Ajay Kumar Sharma

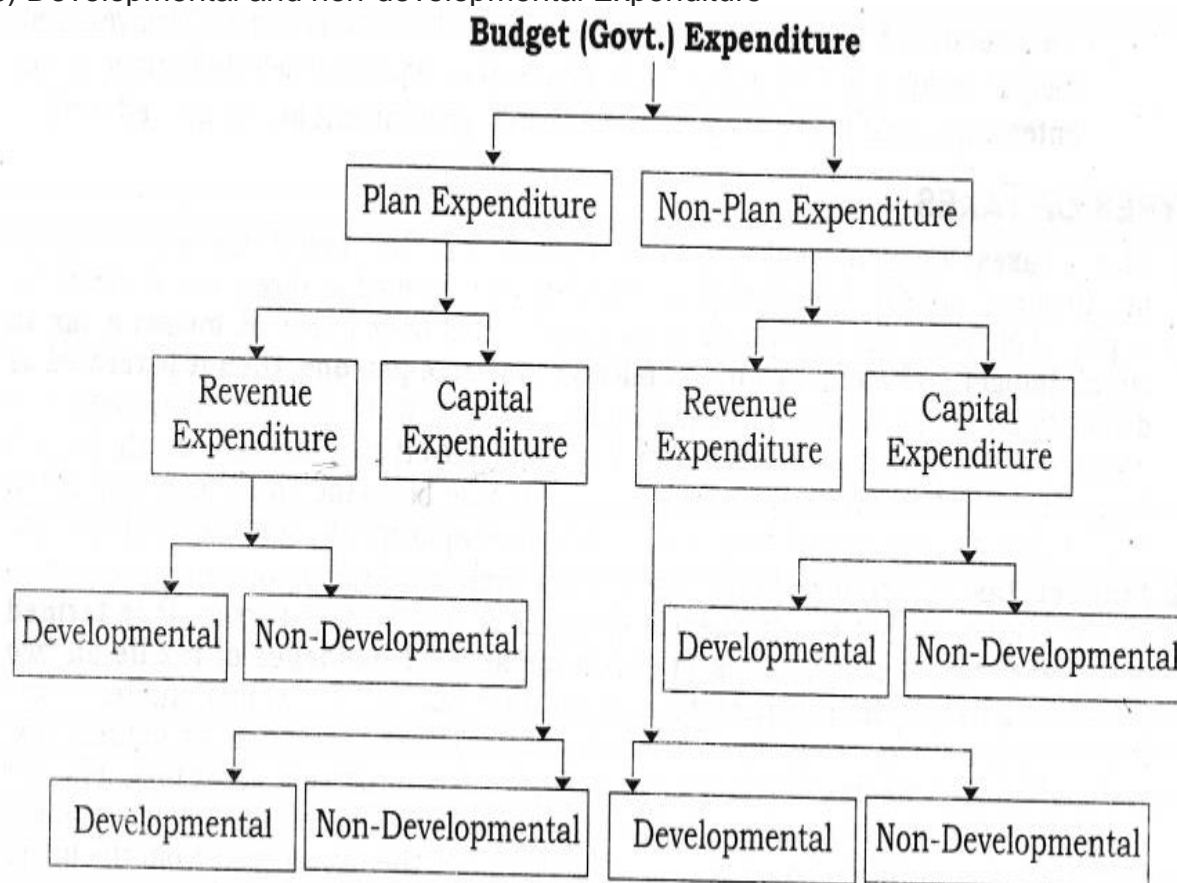
Revision Notes

## Budget Expenditure & Its Related Concepts

**1. Meaning:** Budget expenditure refers to the estimated expenditure of the government on its “development and non-development programmes or “plan and non-plan programmes during the fiscal year.

### 2. Types:

- (a) Plan and non-plan expenditure
- (b) Revenue and capital expenditure
- (c) Developmental and non-developmental Expenditure



### (a) Plan and non-plan expenditure:

(i) Plan Expenditure: Plan expenditure refers to that expenditure which is incurred by the government to fulfill its planned development programmes. This includes both consumption and investment expenditure by the government or Planning Commission of a country. Expenditure on agriculture, industry, public utilities, health and education etc. are examples of plan expenditure.

(ii) Non-Plan Expenditure: This refers to all such government expenditures which are beyond the scope of its planned development programmes. For instance, no government can escape from its basic function of protecting the lives and properties of the people. For this government has to spend on police, judiciary, military etc. In short, expenditure other than expenditure related to current Five-

year plan is treated as non-plan expenditure.

**(b) Revenue and capital expenditure:**

(i) Revenue Expenditure: An expenditure that (a) Neither creates any assets (b) nor causes any reduction of liability.

In revenue expenditure both the conditions should be satisfied.

Examples of revenue expenditure are: salaries of government employees, interest : payment on loans taken by the government, pensions etc.

(ii) Capital Expenditure: An expenditure that either create assets for the government [equity or shares) of the domestic, or multinational corporations purchased by the government), or cause reduction in liabilities of the government, [repayment of loans reduces liability of the government).

In capital expenditure any one of the above conditions must be satisfied.

Thus, it refers to expenditure that leads to creation of assets and reduction in liabilities. Such expenditure is incurred on long period development.

**Conclusion:** A basic difference between capital expenditure and revenue expenditure is that the capital expenditure is incurred on creation or acquisition of assets, whereas, the revenue expenditure is incurred on rendering services.

For example: Expenditure on construction of a hospital building is capital expenditure, but expenditure on medicines, salaries of doctors etc. for rendering services by the hospital is revenue expenditure.

**(c) Developmental and non-developmental Expenditure:**

(i) Developmental Expenditure: Developmental expenditure is the expenditure on activities which are directly related to economic and social development of the country. This includes expenditure on education, health, agriculture, transport, roads, rural development etc. This also includes loans given by the government to enterprises like Sahara for the purpose of development.

(ii) Non-developmental Expenditure: Non-developmental expenditure of the government is the expenditure on the essential general services of the government. This includes expenditure on defence, payment of old age pension, collection of taxes, interest on loans, subsidies etc.

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