



WEEKLY HOME STUDY PACKAGE - WEEK 5 (02/08/21 –06/08/21)

Subject	Economics	Year/Level	12
Strand 3	3: Macroeconomics		
Sub-strand	Government Budget		
Content Learning Outcome	*Explain the effects of government budget deficit on the economy.		

LESSON NOTES:

Fiscal Policy

- It means changing the tax and government expenditure to affect the economy.
- It is carried out by the government through the minister for economy.

Monetary Policy

- It deals with changing the interest rate and the money supply through the banking system.
- It is carried out by the RBF.

Government Revenue – Government has several sources of income:

1) **Taxes**

There are two types of taxes, direct and indirect.

- **Direct tax**- are levied directly on the level of income e.g. PAYE, Corporate Tax.
 - **Indirect tax**- are taxes levied on the goods and services. Eg. **VAT**- it is levied on the value of the good and services at the rate of 9%, **Excise duty**- levied on locally produced goods, **Wheel tax**- paid by the owners of the vehicles, **Airport departure tax** - it is paid by the people who are leaving the country by air, **Customs duty/import duty**- tax levied on imported goods, **Turnover tax**- tax levied on service industry e.g. hotel industries, video library and entertainment groups.
- 2) **Gifts, Grant and Aid** received from foreign governments and international financial institutions.
- 3) **Dividends** from shares in corporate bodies.
- 4) **Borrowing**

Government expenditure – consists of current (operating) expenditure and capital expenditure.

Examples of government expenditure include:

- Salaries of government workers
- Transfer payments e.g. social welfare benefit, unemployment benefit
- Infrastructure development e.g. road, bridge, port,
- Paying off government debt.

Activity

1. Define the following terms:

a. Fiscal policy _____
_____ (1 mark)

b. Monetary Policy _____
_____ (1 mark)

c. Government Revenue _____
_____ (1 mark)

d. Government Expenses _____
_____ (1 mark)

2. Classify the following under fiscal or monetary policy:

- i. Taxation and government spending that impacts the economy.
- ii. It is generally carried out by the RBF.
- iii. It leads to the government lowering taxes and spending more.
- iv. Is concerned with the management of interest rates and the total supply of money in circulation.

(4 marks)

3. Short answers

i. Explain the effects of government fiscal policy on Fijis economy.

(2 marks)

ii. Outline the importance of monetary policy to Fijis economy.

(2 marks)

4. Research Work

The Fiji National Budget 2021/2022 was delivered in Parliament by the Minister for Economy recently. Research on the following in relation to the national budget:

- The projected Government revenue for the period.
- The estimated government expenditure
- The value of government budget deficit.

(3 marks)