26 Lecture - MGT111

Important Subjective

1. **What is public finance, and why is it essential?**
Answer: Public finance refers to the management of financial resources by the government to meet public needs and achieve socio-economic objectives. It is essential because it plays a critical role in promoting economic growth, reducing poverty, and advancing social development.

2. **What is the difference between direct and indirect taxes?**
Answer: Direct taxes are taxes paid directly to the government by individuals or entities, such as income tax or property tax. Indirect taxes are taxes paid indirectly through the purchase of goods or services, such as sales tax or excise tax.

3. **What is fiscal policy, and what are its objectives?**
Answer: Fiscal policy refers to the use of government spending and taxation to influence the economy. Its objectives include promoting economic growth, maintaining price stability, reducing income inequality, and achieving a balanced budget.

4. **What is a budget, and what are its components?**
Answer: A budget is a financial plan that outlines a government's revenues and expenditures. Its components include revenues, expenditures, and deficits or surpluses.

5. **What are transfer payments, and what is their purpose?**
Answer: Transfer payments are payments made by the government to individuals or organizations without receiving anything in return, such as Social Security benefits. Their purpose is to provide a safety net for those in need and to reduce poverty.

6. **What is the difference between a budget deficit and a budget surplus?**
Answer: A budget deficit occurs when government expenditures exceed revenues, while a budget surplus occurs when revenues exceed expenditures.

7. **What are automatic stabilizers, and how do they work?**
Answer: Automatic stabilizers are government programs that automatically increase spending or decrease taxes during economic downturns and decrease spending or increase taxes during economic upturns. They work by stabilizing the economy during times of economic volatility.

8. **What is debt management, and why is it important?**
Answer: Debt management refers to the management of government debt, including issuing and redeeming debt securities and managing interest payments. It is important because it helps to minimize the cost of government borrowing and reduces the risk of financial instability.

9. **What are the different types of government expenditure?**
Answer: The different types of government expenditure include transfer payments, national defense, education, healthcare, infrastructure, and interest payments on government debt.

10. **What is the difference between a progressive tax and a regressive tax?**
Answer: A progressive tax is a tax system where high-income earners pay a higher percentage of their income in taxes than low-income earners. In contrast, a regressive tax system is one

where low-income earners pay a higher percentage of their income in taxes than high-income earners.