[Frequently Asked Questions]

[Issues in Fiscal Policy]

Subject:	Business Economics
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Frequently Asked Questions

1.How many types of fiscal policies are there?

Ans. There are two types of fiscal policies are there- Expansionary fiscal policy and Contractionary fiscal policy

2.What is the impact of tax rate on purchasing power?

Ans. Higher than usual tax rate will reduce the purchasing power of people and will lead to a decline in investment and production. Lower than usual tax rates would leave more money with people to spend and this would lead to inflation.

3.On whose theory the fiscal policy is based?

Ans. Fiscal policy is based on the theories of British economist John Maynard Keynes.

4.What are the components of fiscal policy?

Ans. There are four main components of fiscal policies: Taxation policy, Expenditure policy, Investment and disinvestment policy and Debt and surplus management.

5.What is surplus budget?

Ans. A budget surplus is a period when income or receipts exceed outlays or expenditures.

A budget surplus often refers to the financial states of governments; individuals prefer to use the term 'savings' instead of the term 'budget surplus.' A surplus is an indication that the government is being effectively managed.

6.What is deficit financing?

Ans. Deficit financing **is a** practice in which a government spends more money than it receives as revenue, the difference being made up by borrowing or minting new funds.

7.What is deficit budget?

Ans. A budget deficit is an indicator of financial health in which expenditures exceed revenue. The term budget deficit is most commonly used to refer to government spending rather than business or individual spending, but can be applied to all of these entities. When referring to accrued federal government deficits, the deficits are referred to as the national debt.