

**PENANG SANGAM HIGH SCHOOL
P.O.BOX 44, RAKIRAKI**

LESSON NOTES

Subject: Economics

Year/Level: 12

Week 12

| | | |
|---------------------------------|---|-------------------|
| Strand | 3 | Macroeconomics |
| Sub Strand | 3.2 | Government Budget |
| Content Learning Outcome | Explore the ways of financing budget deficit and their effects. | |

Greetings to all...

We will now look at the Government Budget.

Lesson notes (Copy in your note book)

National Budget

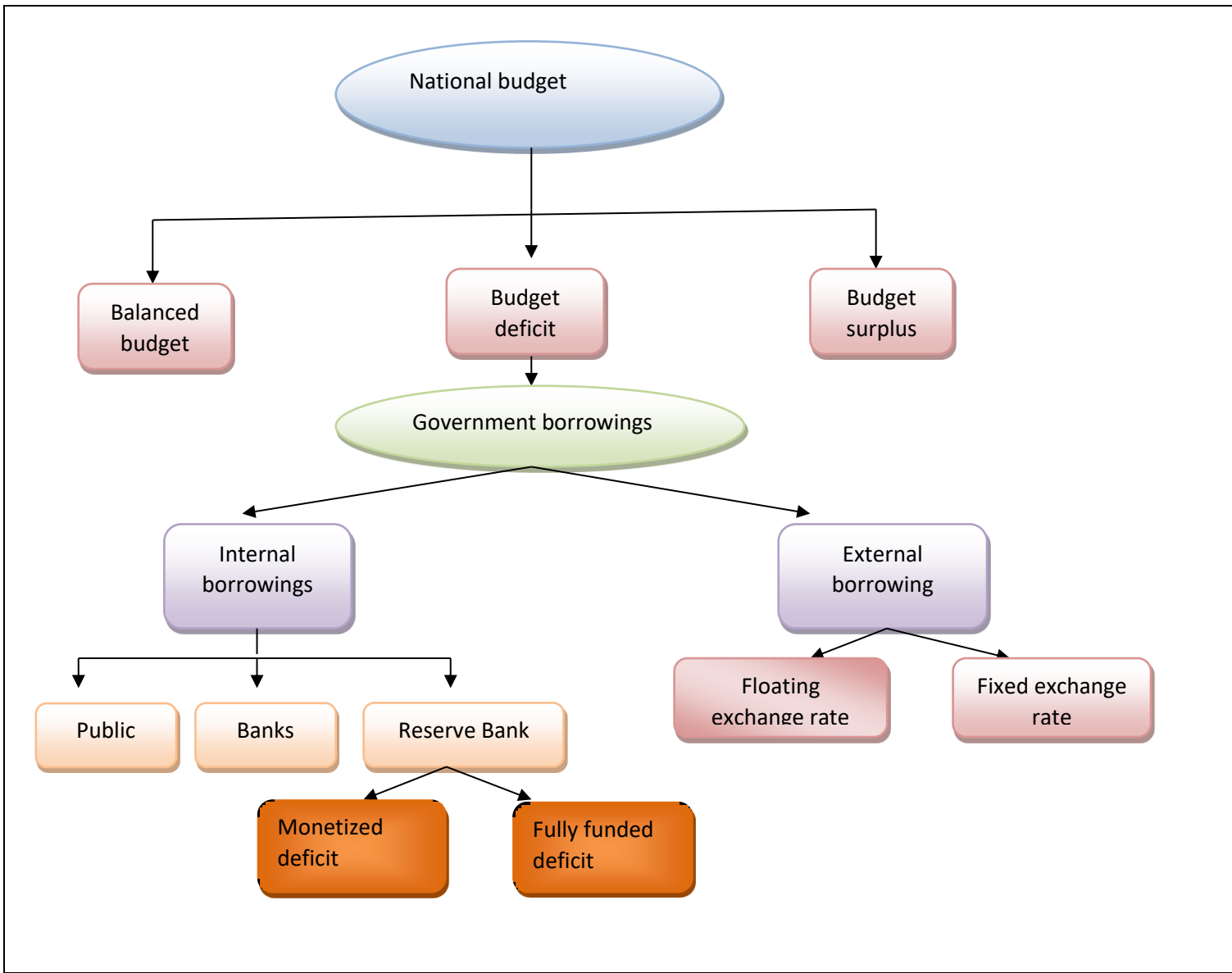


A statement which sets out the spending, tax income and borrowing plans of government for the financial year.

3 Types of Government Budget

| Balanced Budget | Surplus Budget | Deficit Budget |
|--|--|--|
| Government revenue equals government expenditure | Government revenue exceeds government expenditure. (Leads to a Contractionary effect i.e. decrease in income, output and employment in the economy) | Government revenue is less than government expenditure OR Government Expenditure exceeds government Revenue. (Leads to Expansionary effect i.e. increase in income, output and employment in the economy). |

NOTE: If government budgets for a deficit then it needs to look into ways financing this deficit.



The flow diagram is a summary in relation to government budget with respect to borrowings and financing its deficit.

We will look at the ways of financing deficit in the next lesson.

Stay Safe.....