Balanced and unbalanced budget; meaning of balanced budget,reasons for balanced budget,meaning of surplus and deficit budget.

Balanced and Unbalanced budget ; Ways of financing deficit and their effective ways of measuring National income and their limitations e.g debt burden, debt relief, debt-buy back.

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A BUDGET: Maybe defined as a financial statement of the total estimated revenue and the proposed expenditure of a government in a given year.

A BALANCED BUDGET is a financial plan where the amount of money spent is equal to the amount of money earned or received through other sources. In other words, it is a budget in which expenses don't exceed income. A balanced budget allows an individual, a household, or a government to manage their finances without accumulating debt and to save for future needs. It is considered a prudent financial practice that helps to ensure long-term fiscal stability.

A balanced budget of a government is a budget where revenue equals to the proposed expenditure.

AN UNBALANCED BUDGET occurs when expenses exceed revenue or income. This means that there is a deficit or shortfall, and the organization or individual must borrow money or cut spending to make up for the difference. This can lead to financial difficulties and may require long-term planning and adjustment to achieve a more sustainable financial situation.

An unbalanced budget of a government is a budget where the estimated revenue and the proposed government expenditure are not equal.

REASONS FOR BALANCED BUDGET:

The following reasons are why governments would strive for a balanced budget:

1. Fiscal Responsibility: A balanced budget is seen as an essential part of fiscal responsibility by many governments. It is seen as an indication that they are managing the country's finances effectively.

2. Avoiding Debt: Balancing a budget helps avoid deficit financing where borrowing money is required, which can lead to an increase in debt and escalating interest payments, which could affect the credit rating of the country.

3. Stability: A balanced budget provides stability to the economy, reducing the risk of inflation, and ensuring that government spending supports sustainable growth.

4. Encourages Investor Confidence: Investor confidence in the economy is enhanced when the government undertakes measures to balance the budget. It provides assurance to investors that the government can pay its debts, which, in turn, encourages investment and economic growth.

5. Lower Interest Rates: With the balanced budget comes a lower risk of default, so the government is perceived as less risky to lend money to. This results in lower interest rates for borrowing that could help in financing productive activity.

6. Flexibility: A balanced budget allows governments to be more flexible when dealing with emergencies or unexpected economic challenges that require quick action. It leaves them room to implement fiscal policy measures and strategies that can help manage the situation without hampering the long-term economic stability.

SURPLUS BUDGET : A surplus budget is a budget in which the projected revenue or income exceeds the projected expenses or expenditures for a given period (usually a fiscal year). In other words, there is a surplus of funds left over after all expenses have been accounted for. This surplus can be used to pay off debt, save for future expenses, or fund new projects or initiatives. A surplus budget is often considered a sign of financial stability and good management. However, it can also indicate that a government or organization is not investing enough in certain areas, such as infrastructure or social services.

DEFICIT BUDGET:

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Ways of measuring National income:

1. GDP (Gross Domestic Product): This measures the total value of goods and services produced within the country's borders during a specific period.

2. GNP (Gross National Product): This measures the total value of goods and services produced by a country's residents, regardless of their location, during a specific period.

3. GNI (Gross National Income): This measures the total income earned by a country's residents, including income from abroad, during a specific period.

4. NNP (Net National Product): This measures the value of goods and services that remain after accounting for depreciation of physical assets.

5. NNI (Net National Income): This measures a country's total income, minus depreciation and indirect taxes.

6. NI (National Income): This measures the total income of a country's residents, including compensation for labor, property income, and taxes.

7. PI (Personal Income): This measures the income received by individuals, including wages, salaries, and transfer payments.

8. DPI (Disposable Personal Income): This measures the income available to individuals after taxes and transfer payments have been made.

LIMITATIONS OF NATIONAL INCOME:

DEBT BURDEN refers to the amount of debt that an individual or entity has relative to their income or assets. It is the amount of debt that a person or organization carries that impacts their ability to meet financial obligations and invest in future endeavors. High debt burdens can lead to financial instability as it can limit the ability to borrow or pay bills, and may require significant sacrifices in other areas to pay down the debt.

DEBT RELIEF relief refers to the partial or complete forgiveness of debt owed by an individual or organization. It can take many forms, including consolidating or refinancing debt, negotiating with creditors to reduce interest rates or balances, and filing for bankruptcy. Debt relief programs are typically designed to provide individuals and organizations with a path to becoming debt-free over time, often with the help of budget counseling and financial education. However, not all debt relief programs are legitimate, and individuals should be cautious of any program that promises quick and easy debt relief.

DEBT BUYBACK refers to a company or government entity purchasing its own outstanding debt securities in the secondary market. The purpose of a debt buyback is to reduce the amount of outstanding debt, which can lead to a decrease in interest payments and an improvement in the organization's financial health. Debt buybacks can be executed using cash, new bonds, or a combination of both. The buyback can also have an impact on the market price of the debt security, which may change as a result of the buyback announcement or completion.