

RATU NAVULA COLLEGE

WEEK 4 HOME RESOURCE PACKAGE

LESSON NOTES (LESSONS 45 – 48)

School: Ratu Navula College

Year / Level: 10

Subject: Commercial Studies

Lesson : 45

Strand: Economics II

Sub-strand: Macroeconomics

Content Learning Outcome: Investigate and explain the sources of income and expenditure incurred for the different types of government

Nature and types of government

Government: is a public sector run by elected members. These members are elected in the general elections by the public. It is a legal institution run by the elected people for the welfare of the state.

Types of government

There are two types of government found in Fiji:

1. Central government: is the most powerful and governs the whole country / economy
2. Local government: looks after a small section of the economy. The local authorities are responsible for town or city administration

Source of income for the Central government

The government needs money to carry out its duties. The main sources of income for the central government are:

1. Taxes: refers to a levy paid to the government as required by law.
2. Borrowing:

-Internal borrowing: when government borrows money within the economy. The

Fiji government may get loans from:

- a. Fiji national provident Fund
- b. Home finance Company
- c. Reserve bank of Fiji

-External borrowing: refer to sources of borrowing available to the govt. from outside sources. The govt. can get loans from:

- a. International monetary fund (IMF)
- b. World bank
- c. Asian development bank

3. Charges

*Source of income for the govt. collect from the govt. department who are involved in business for e.g. govt. supplies, pay charges since it is involved in selling stationary.

4. Surplus from trading: refer to the dividend the govt. has collected from the shares it owns in the public enterprise and public corporation

Central Government Expenditure

-the revenues collected from various sources is spent by the govt. through its ministries.

-The people who work in different govt. ministries are called civil servants who help the government to satisfy the needs of the nation

-Some of government's major expenditure includes:

- Public provisions like building of bridges and schools
- Provision of government's services such as education, health, infrastructure, security, social welfare
- law and order
- Provision of subsidies to businesses
- Provision of transfer payments

Activity 2.0.2

Examine the information provided in the table given below to answer the questions that follow

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Income	\$ m	Expenditure	\$m
Direct Tax	10 400	Education	3 247
Other Indirect Tax	720	Health Services	1 927
Grants and Aids	230	Transport	499
Profit from Trading	190	Social Services	4 963
Other Receipts	1 400	Loan Payments	298
		Administration	2 318

- a. Prepare the government's budget in 2007.
- b. What is the main common source of revenue for Country Z ?
- c. Give a reason why Country Z spends the most money on Social Services.
- d. Compared to the year 2007 , the expenditure for 2008 was expected to fall by 5%.

Calculate the value of total expenditure for the year 2008.

e. State the importance of preparing a national budget for Country Z.

Lesson : 46

Strand: Economics II

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LOCAL GOVERNMENT

- Also known as local authorities and are regulated by the local govt. act.
- Mainly responsible for town and city administration by elected councilors
- All town and city councilors are elected from common roll

Sources of income for the local government.

- Town /city rate: is a direct tax levied by local authorities on property.
- Paid annually by all residential and business property owners in the city or town boundaries.
- Other incomes/ miscellaneous income
 - i. Market stall fee
 - ii. Parking meters fee
 - iii. Land rents
 - iv. Garbage fee
 - v. Sporting facility hire fee
 - vi. Town and city hall hire fee
 - vii. Other service like swimming pool entry fee, library membership fee

Expenditure of local government.

- Wages and salaries of local government officials
- Administrative costs of the local government
- proper planning of town and city to avoid overcrowding
- building plan approval to have safe and sound building for occupation
- health department supervision to prevent spreading of diseases
- beautification of town and city
- provision of street lights
- maintenance of roads and construction of new for easier flow of traffic

Activity (FY10CE -2015)

Discuss local governments in Fiji using the following guidelines.

- What is the main source of revenue for the local government?
- Explain two services provided by local governments.
- Discuss two problems faced by a local government in Fiji.

Lesson : 47**Strand: Economics II**

Sub-strand: Macroeconomics

Content Learning Outcome: Investigate and explain the sources of income and expenditure incurred for the different types of government

Problems Faced By Both Types of Government

- Inadequate basic urban services
- Inefficient waste management
- Uncontrolled informal settlement
- Lack of disaster management plan
- Inefficient traffic management and road infrastructure

Activity 2.0.3

Use the information given below to answer the questions that follow

Central Government's Major Consumption Expenditure [2008]

	\$m
General Public Services	76 356
Defense	77 241
Public Orders and Safety	102 860
Economic Affairs	139 699
Health	119 394
Education	229 356

Source: Fiji Bureau of Statistics

- a. What does the table given above show?
- b. Which item did the Government spent the most on?
- c. Calculate the total Government Consumption Expenditure for 2008.
- d. Which Government Ministry is responsible for preparing the Central Government's Budget?
- e. State at least two items on which the Ministry of Education spends its money

f. Identify a type of expenditure incurred by the local government.

g. Explain how non-payment of town rates affects the activities of a town or city council.

Lesson : 48

Strand: Economics II

Sub-strand: International Economics

Content Learning Outcome: Explore and demonstrate measurements of Balance of Payment

Terms of Trade (T.O.T):

-Price ratio at which two countries are prepared to exchange goods, must therefore lie somewhere between the two countries domestic cost

Formula for Calculating Terms of Trade

$$\text{Terms of Trade} = \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1}$$

For Example:

Question

Base year 2006: 100.

Calculate the T.O.T for:

i. 2007

ii. 2008

Year	Export	Import
2007	105	90
2008	80	102

Solution:

$$\begin{aligned}
 \text{i} \quad \text{Terms of Trade} &= \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1} \\
 &= \frac{105}{90} \times \frac{100}{1} \\
 &= 116.67(\text{favourable})
 \end{aligned}$$

$$\begin{aligned}
 \text{ii} \quad \text{Terms of Trade} &= \frac{\text{Index Of Export Price}}{\text{Index Of Import Price}} \times \frac{100}{1} \\
 &= \frac{80 \times 100}{102 \quad 1} \\
 &= \underline{78.43} (\text{unfavourable})
 \end{aligned}$$

Interpreting Terms of trade

-A rise in TOT index for a particular year indicates a favourable movement.

-This can be viewed as follows:

1. Given the value of export can be buying a greater quantity of import than a previous year.

2. Some value of import can be now financed by a smaller value of export.

3. A favourable movement in T.O.T. maybe the result of:

- Export price increasing more than the import price
- Export price increasing while import price remains constant
- Export price remains constant while import price falls
- Import price falls faster than export price.

Activity

1.The table given below shows the index of export and import of goods and services for Economy Y for the year 2008-2009.

Year	Export Price Index	Import Price Index
2008	134	145
2009	204	165

Base year 2007: 100

Calculate the terms of trade for the years 2008 and 2009

WORKSHEET

Lessons: 45 – 48

Question 1

1. Describe one service provided by the central government with an appropriate example.
2. List two problems faced by the local government.

3. Circle the Best Answer

a. A direct tax levied by the local authority on property is known as

- A. rent
B. rate
C. duty
D. grant

b. Which of the following is a type of local government?

- A. City council
B. Tripartite Forum
C. Ministry of Health
D. Small Claims Tribunal

c. A source of income for the local government is from

- A. hospital charges
B. value added tax
C. Pay As You Earn
D. garbage collection fees

4. State some expenditure of the local government .

5. Give examples of any 3 local governments in Fiji.