
Student Learning Activity (FODE):



Student Learning Activity 12.2.3

1. How is a deficit budget financed?

2. Identify the problem with the following types of budgets.

a. Deficit budget

b. Surplus budget

3. When is it appropriate to pass a balanced budget?

4. What are the effects of the following budgets on income, aggregate demand, consumption, production and employment?

a. Deficit budget

b. Surplus budget

5. State the reasons for taxation.

a. _____

b. _____

c. _____

d. _____

6. State the three methods of tax rate.

- a. _____
- b. _____
- c. _____

7. Identify the methods of tax rate used for income tax in PNG.

8. Examine the income tax schedule below and calculate their rates. Then state the type of tax rate. The first one has been done for you, complete the rest.

Annual Income (Kina)	Tax A (Kina)	Tax rate (%)	Tax B (Kina)	Tax rate (%)	Tax C (Kina)	Tax rate (%)
500	25	5	50	?	100	?
1000	100	?	100	?	150	?
2000	400	?	200	?	200	?
5000	2000	?	500	?	200	?

Tax A is: _____

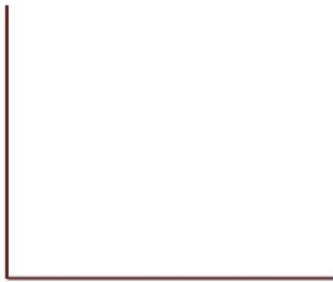
Tax B is: _____

Tax C is: _____

Formula: percentage of tax/taxable income x 100
Example Tax A: $25/500 \times 100/1 = 5\%$

9. Sketch a graph illustrating each method of tax rate. Make sure to label all the axis and give a title to each graph.

Tax A



Tax B



Tax C



10. What is meant by the phrase '*broadening the tax base*'?

11. Why do you think the PNG government wants to increase the tax base?
