

## Economics - ICom Part 2 Principles of Economics Chapter 4 Short Questions Preparation

Q1. Define canon of taxation " canon of convenience" according to Prof. Adam smith.

**Ans 1:** According to Prof. Adam Smith tax should be levied on the time when the taxpayer can easily pay it. Therefore it is necessary that tax should be collected in installment and at the time when tax payers get their incomes or salaries.

Q2. Define Public Finance in the word of Prof. Armitage Smith.

**Ans 1:** The study of nature of principles of government's expenditure and revenue is called Public Finance.

Q3. Define Capital budget.

**Ans 1:** The capital budget is a budget in which such expenditures are explained which cause increase in capital goods.

Q4. What is meant by Balanced Budget.

**Ans 1:** When the revenues of the government are equal to its expenditures then it is called balanced budget.

Q5. What is meant by indirect tax.

**Ans 1:** Indirect tax means the tax which is not paid from the pocket on when it is levied, rather the burden of the tax is shifted to another person. For example sale tax, customs duty and excise duty etc.

Q6. Write the four basic canons of taxation stated by Prof. Adam Smith.

**Ans 1:** 1- Canon of equality 2- Canon of certainty

**Ans 2:** 3- Canon of convenience 4- Canon of economy

Q7. What is meant by budget.

**Ans 1:** Account of income and expenditure is called budget.

Q8. What is meant by surplus budget.

**Ans 1:** When the revenue of the government is more than its expenditures, then it is called surplus budget.

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Q9. What is meant by Regressive tax.

**Ans 1:** Regressive tax is opposite to progressive tax. The lower income level is the more rate of tax will be and the higher income level is the less rate of tax will be it means the rate of tax decreases with the increase in income and vice versa.

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Q10. What is meant by Proportional tax.

**Ans 1:** A tax in which the rate of tax remains the same on every level of income is called proportional tax.

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