
3.4

Managing Resources

Government Revenue & Expenditure

Learning Outcome Notes

LO 3.4 - Differentiate between different sources of government revenue and government expenditure.

CHAPTER QUESTIONS

1. Explain the need for a national budget
2. Identify sources of Government revenue and expenditure
3. Explain the difference between a balanced, surplus and deficit budget.
4. Outline the impact of a budget decision on Irish society.

THE NATIONAL BUDGET

National Budget ^{Def} This is how the Government plans to spend the income they receive and how they are going to raise the finance for this expenditure. It is their financial plan for the year.

Ireland has a mixed economy. This means that goods and service are provided by both the Government and individuals (Public and Private sector). The government use the resources that they have available to them; these resources are scarce so the Government will have to make choices and prioritise some service over others. This means they have to look at the income (Revenue) and Spending (Expenditure)

GOVERNMENT REVENUE

Government Revenue ^{Def} This is the money the government receives for example taxes.

Revenue can be divided into two different types -

Current Revenue ^{Def} This is money the Government receives every day. It usually comes from taxation.

Capital Revenue ^{Def} This is money that is received once off - sale of a state owned company.

Source of Government Current Revenue

The following are the main source of current revenue for the Government

Income Tax	Universal Social Charge (USC)	Value Added Tax (VAT)
Corporation Tax	Excise Duty	Custom Duties
Stamp Duty	Local Property Tax (LPT)	Capital Gains Tax (CGT)
Capital Acquisitions Tax (CAT)	Pay Related Social Insurance (PRSI)	

Source of Government Capital Revenue

The following are the main source of Capital revenue for the government -

Sale of state-owned companies

Borrowing

EU Grants

GOVERNMENT EXPENDITURE

Government Expenditure

^{Def} This is all the money that is spent by the Government.

Current Expenditure

^{Def} This is money spend by the Government on a regular basis.

This is usually day-to-day spending a essential services. For example, Health.

Capital Expenditure

^{Def} This is once off spending by the Government - For example

Building roads.

Infrastructure

These are all the service and structures that are needed for a country to function. For example - Transport, Water

Source of Government Current Expenditure

The following are the main source of current expenditure for the Government -

Social Protection

Healthcare

Education

Justice

Agriculture

Defence

Source of Government Capital Revenue

The following are the main source of Capital Expenditure for the Government

Public Transport

Health

Education

PREPARING A NATIONAL BUDGET

National Budget

^{Def} This is how the Government plans to spend the income they receive and how they are going to raise the finance for this expenditure. It is their financial plan for the year.

It is usually written by the department of finance and the department of public expenditure and reform.

There are 3 different types of Budgets -

Balanced Budget ^{Def} This is when planned revenue (Income) equals planned expenditure (Spending)

Here the government is taking money out of the economy through taxation but is putting it back in the form of essential services

Budget surplus ^{Def} This is when planned revenue (Income) is higher than planned expenditure (Spending)

This is good as the Government has money left over so they can cut taxes, save or increase the Level of services

Budget deficit ^{Def} This is when planned expenditure (Spending) is higher than planned revenue (Income)

This is not good as the government is living beyond its means and will have to cut spending, increase taxes and borrow to meet its needs.

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Past Exam Questions and Answers

NOTE - Very Important

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question

QUESTIONS

2022 - Question 15

- (i) Name a government department that will be affected by an older Irish population

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- (ii) Explain two ways this change in age profile will increase Government expenditure

1	
2	









2019 - Question 13

The Government will spend €60 million in the department of justice and equity to recruit additional gardai in 2019. State one example of expenditure in the Government Departments below

Government Department	Examples of expenditure
1. Health	
2. Education and skills	
3. Transport, Tourism and Sport	

2019 - SEC - Question 7

The graphic below shows Irish Government spending by category for 2018.

2018 Total Expenditure: €72.5 billion			
Justice  €2.6 billion	Health  €15.3 billion	Education  €10.1 billion	Social Protection  €20.0 billion
Agriculture  €1.5 billion	Debt Servicing, EU Payments  €10.8 billion	Transport  €2.0 billion	Other  €10.2 billion

(a) In which category does the government spend most

(b) State one capital and one current expenditure under the health category

Capital :
Current :

(b) Karina operates a small restaurant called Waves in her Hotel. The Government has announced that the current 9% VAT rate for the hospitality sector will be increased to 13.5% in January 2019

2019 - SEC - Question 17

State one effect, for restaurant owners like Karina of this increased VAT rate

SUGGESTED SOLUTIONS

2022 - Question 15

(i) Name a government department that will be affected by an older Irish population

Department of Health / Department of Social Protection / Department of Finance / Department of Transport / Department of Environment, Change and Reform
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(ii) Explain two ways this change in age profile will increase Government expenditure

- | |
|---|
| 1. Demand for Pensions - There will be an increase in the demand for pensions as people will |
| Retire they will be entitled to the state pension which is €248.30 and is a full contributory |
| pension |
| 2. Increase in the Free Travel Scheme - Everyone over the age of 66 years is entitled to free |
| Travel. This means the Government will have to invest more money into Irish rail and Bus |
| Eireann to cope with the increase |









2019 - Question 13

The Government will spend €60 million in the department of justice and equity to recruit additional gardai in 2019. State one example of expenditure in the Government Departments below

Government Department	Examples of expenditure
1. Health	Buildings of Hospitals
2. Education and skills	Teacher's Salaries
3. Transport, Tourism and Sport	Promote Ireland Abroad

2019 - SEC - Question 7

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(a) In which category does the government spend most

Social Protection - €20.0 Billion

(b) State one capital and one current expenditure under the health category

Capital : The Building of the new children's hospital is an example of capital expenditure

As it is a once off expenditure and doesn't happen every day or week

Current : The payment of the doctors and nurses wages is an example of current expenditure

This is day to day expenditure and happened every day / week

2019 - SEC - Question 17

(b) Karina operates a small restaurant called Waves in her Hotel. The Government has announced that the current 9% VAT rate for the hospitality sector will be increased to 13.5% in January 2019

State one effect, for restaurant owners like Karina of this increased VAT rate

Tax they pay will increase - One affect of the increase VAT rate for restaurant owners is

That they will have to pay more Value Added Tax to the Government. This means that there

Will be less profit for the owners and if they have shareholders, they will receive less

dividends