

INTRODUCTION

Human wants exceed the resources available to satisfy them, and day by day every individual keeps on looking for means to meet the ends. To this end, financial plan is usually drawn by individuals, families, organizations and government. The financial plan contains all detailed estimates needed in order to have a target for the nearest future. This kind of financial plan is called budget. Here, in this chapter, the following shall be examined: the meaning of budget, balanced and unbalanced budget, surplus and deficit budget, budget financing, national debts, problems associated with budgeting in Nigeria.

OBJECTIVES

At the end of this chapter, students should be able to:

- ◆ Explain the meaning of budget;
- ◆ Differentiate between balanced and unbalanced budget;
- ◆ Differentiate between surplus and deficit budget;
- ◆ Explain budget financing;
- ◆ Explain what “National debt” is;
- ◆ Explain problems associated with budgeting in Nigeria.

15.1 Meaning of Budget

A budget is a detailed estimate of the financial operations of a government for a stated period of time usually a year. It is prepared in advance by designated government officials. It is the master financial plan of the government that brings together estimates of anticipated revenue and proposed expenditures for the budget period, and from these estimates the means of their financing can be determined.

15.2 Balanced and Unbalanced Budget

During the budget period, if total revenue receipts are equal to total expenditure, then we have a balanced budget. However, if total estimated expenditure (cost payment) is greater than total revenue receipts, it is called unbalanced budget.

15.3 Surplus and Deficit Budget

If the total revenue receipts for the budget period are greater than total expenditure, it means we have surplus budget, but if revenue receipts for the budget period are less than total expenditure, it means budget deficit.

15.4 Budget Financing

Budget cannot achieve its aim if not properly financed. This financing depends largely on the size and time of such budget because some budgets require little amount of money due to the size of the budget.

Others may focus on capital intensive projects that require huge amount of money. The most important thing is that budget must be properly financed

right from the beginning till the end in order to have better result. Budget may however be of a short, medium or long term plan.

15.5 National Debts

National or public debt is the total debt a country owes its citizens, governments of other countries or international financing organizations such as the World Bank and International Monetary Fund (IMF) e.t.c. The debt which a country owes its citizens is known as internal or domestic debt, while the debt owed to foreign governments or international financial organisations is known as external or foreign debt.

15.6 Problems Associated with Budgeting in Nigeria

a. Finance: This is the main problem affecting budget in Nigeria, though, every budget should be financed. But when a capital intensive project is budgeted for and is not well financed, the outcome will be failure on the part of the government.

b. Time factor: There are some budgets that are meant for long term, while some are for short term. But when a long term project is budgeted for short term, it may be due to urgency of its usefulness. This will affect the preparation of its planning and at the end be a waste.

c. Lack of experts: This is another problem that can affect the outcome of a budget. When budget is about to be planned, experienced experts and manpower must be used for the preparation of the budget. Lack of experts that are to interpret financial statement may also affect budget implementation.

d. Political instability: If there is incessant change in government, it affects budget preparation and implementation.

Summary

This chapter discussed: Budget which is as a detailed estimate of the financial operations of a government for a stated period of time usually a year.

❖ A budget is said to be balanced if total revenue receipts are equal to total expenditure. If otherwise, it is said to be an unbalanced budget.

❖ Difference between surplus and deficit budget is that, in surplus budget, total revenue receipts for the budget period are greater than total expenditure and otherwise for deficit budget.

❖ Budget financing is a situation where a budget is properly financed. But its financing depends largely on the size and time of such budget.

■ National debts is the total debt a country owes its citizens, governments of other countries or international financing organizations such as the World Bank, e.t.c.

■ There are some problems associated with budgeting in Nigeria, and they include: finance, time factor, lack of experts, and political instability.

Class Activity

Students should find out from the internet, Nigeria budget in the last 5 years and this should be discussed under the guidance of the class teacher.

Review Questions

Objective Questions

1. Which of the following best describes the budget?
(a) A plan of government's needs and expenditure for a year.
(b) Detailed estimate of government financial operation for a year.
(c) Satisfactory balance between income and expenditure for one year.
(d) Plan for importation of essential goods and services for one year.
(e) Plan for control of government industrial and corporations for one year.
(SSCE 1990)

2. The situation whereby government revenue is less than government expenditure is referred to as _____.

- (a) Budget deficit
(b) Balanced budget
(c) Budget surplus
(d) Budget statement
(e) Unfavourable budget (SSCE 1997)

3. Amount proposed for payment of wages and salaries in a budget is regarded as part of _____.

- (a) Recurrent expenditure (b) Direct investment
(c) Recurrent revenue (d) Capital receipts

4. Government expenditure on the construction of roads and bridges is _____.

- (a) Recurrent expenditure (b) Capital expenditure
(c) Supplementary expenditure (d) Variable expenditure

5. Government plans to spend exactly the size of its anticipated revenue is known as _____.

- (a) Balanced budget (b) Budget surplus
(c) Budget deficit (d) Time budget
(e) Budget statement

Essay Questions

1. What do you understand by "government budget"?
2. What is the difference between government budget and budget financing?
3. Explain the difference between national debt and domestic debt.
4. (a) What are the problems associated with budgeting in Nigeria?
(b) What is the difference between surplus and balanced budget?

Glossary

Budget: It is a detailed estimate of the financial operations of a government for a stated period which is usually a year.

National debts: These are due amount to be paid by a country to her citizens, government of other countries or international financial organisations such as the World Bank, etc.