Budget System: Questions for the 1st Colloquium

1. What is the role of the government in the economy? Explain the key determinants
2. What is public budgeting and how it works? (Hint: public & private sectors; government’s functions in the economy)
3. What is budget deficit? : The structural and cyclically adjusted budget deficit
4. Cash and capital accounting: Explain the differences and give the examples
5. Why public budget is a comprehensive document? Give the examples
6. Describe the components of the public budget and explain its interaction
7. Interaction between budget system and budget policy?
8. What is responsible government? Give the examples
9. The meaning “preferences” in the budgeting. Explain how it happens in the practice
10. Revenues in the budgeting: Meaning and mapping
11. Explain the principles of taxation: how it works?
12. Haig-Simons comprehensive income: why it’s important for the defining of taxable incomes?
13. Direct and indirect taxes: meaning and examples
14. Advantages of direct taxes: give the examples
15. Disadvantages of direct taxes: give the examples
16. Difference between direct and indirect taxes
17. What is tax expenditure and why it is important for budgeting?
18. Describe all types of inter budgetary transfers
19. What is subsidy? Why it is necessary?
20. What is subvention? Why it is necessary?
21. What is contingent liability? Give the examples
22. What is quasi-fiscal activity? Give the examples
23. Expenditures in the budgeting: Meaning and mapping
24. Mandatory and discretionary spending; Give the examples
25. Capital and recurrent expenditures

10.10.2019

Budget System: Questions for the 2nd Colloquium

1. What is budget expenditures classification? Describe each type of classification
2. What is functional classification?
3. What is administrative classification?
4. What is economic classification?
5. What is program classification?
6. What is medium term expenditure framework?
7. What is budget cycle? Describe each phase of the budget process
8. The specifics of budget formulation phase
9. The specifics of budget approval
10. The specifics of budget execution
11. The specifics of budget auditing. 3 types of audit
12. What is PEFA?
13. Public debt: definition, components, mechanism
14. What is the difference between principal and interest of the government debt?
15. What is the difference between government debt and budget deficit? Give an example
16. Describe the duration of debt. The duration of Azerbaijani external debt
17. How government generate the debt? Give examples
18. The nature of arrears: give the examples
19. What are the fiscal risks? How they relate to the fiscal rules?
20. Fiscal framework priorities in the resource-rich countries
21. Budget balance rules: how it works?
22. Revenue rules: how it works?
23. Expenditure rules: how it works?
24. Debt rules: how it works?
25. Rigidity and flexibility of the fiscal rules: advantages and disadvantages

14. 11. 2019

**Budget System (2019)**

***Final exam Q’s***

1. Why government needs to establish extra budgetary funds?
2. Describe how works extra budgetary fund and give the examples
3. Investment Strategy of the extra budgetary fund: The case of National Fund of Kazakhstan:

• Since the Fund has two main purposes, stabilization and savings, its assets are also divided into two portfolios for investment purposes: the stabilization portfolio is invested in highly liquid assets so that funds can be used as needed in the short-term. The savings portfolio’s assets are invested with a view to maximizing long-term returns.

Please answer the question: How interrelate stabilisation and saving functions of the fund through long term and short term investments?

1. Investment Allocation in National Fund of Kazakhstan:

The target asset allocation of the Fund’s two portfolios is as follows:

• Stabilization portfolio

• 50-100 % foreign currency and U.S. Treasuries

• 0-50 % non-U.S. debt securities (rated at least AA or Aa2 by Standard & Poor’s and Moody’s) and debt securities of international financial institutions

• 0-50 % deposits

• 0-20 % derivatives

• 0-30 % corporate debt

• Savings portfolio

• 70-100 % fixed income

• 0-30 % equity

Please answer the questions; 1) how sustainable the fund allocation strategy? 2) what are the strengths and weaknesses of the Fund?

1. Investment Strategy of the extra budgetary fund*:* the case of SOFAZ

The following assets are permissible for investment:

• Cash deposits in central banks, commercial banks and other financial institutions

• Debt obligations of governments, international financial organizations and other institutions with at least a BBB- or Baa3 credit rating

• Equity

• Mutual and alternative investment funds

• Gold

• Real estate

• Non-investment grade debt obligations as long as they have a credit rating of at least BB- or Ba3

Please answer the question: How interrelate stabilisation and saving functions of the fund through long term and short term investments?

1. Investment Allocation in SOFAZ: According to the 2013 investment policy, the Fund’s target asset allocation is the following:

•Minimum 85 % debt obligations and money market instruments

• Up to 5 % equity

• Up to 5 % real estate

• Up to 5 % gold

The Fund’s target allocation also stipulates that assets be invested in the following currencies:

• 50 % U.S. dollar

• 40 % euro

• 5 % pound sterling

• 5 % in the currency of any G7 country, member of the European Monetary Union, Russia, Turkey or any country with a sovereign debt rating of at least an A from Standard & Poor’s or Fitch and an A2 from Moody’s.

Please answer the questions; 1) how sustainable the fund allocation strategy? 2) what are the strengths and weaknesses of the Fund?

1. In 2013, SOFAZ changed the asset allocation, starting to invest on gold, equity and real state. Please assess the new asset portfolio and answer the question how it can reflect on further sustainability of the Fund?
2. Why transparency and accountability are important for the public budgeting?
3. What are 8 key budget documents, assessing by OBS?
4. Please correlate each phase of budget process with 8 key budget documents
5. Describe IMF Code of Good Practices on Fiscal Transparency
6. Main global challenges for the public budgeting: why it’s important?
7. Why income inequality is the threat for the public budget?
8. Why population aging is the threat for the public budget?
9. Why devaluation of the national currency is favorable for the resource-rich governments?
10. The US budget is the business of Congress, not President administration: Explain this statement
11. The more representativeness, the more effective public budgeting: Explain this statement
12. The main differences between resource-rich and resource-poor countries budget policy. Give the examples
13. What explains higher ratio of public budget/GDP? Give the examples
14. The key function of public budget in the framework of macroeconomic policy. Give the examples

1. What is the real budget growth for 2017, if?

budget expenditures for 2016 - **20 bln**. AZN

budget expenditures for 2017 - **25 bln**. AZN

Inflation for 2016- 0%

Inflation for 2017 -**5** %

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budget expenditures for 2017 - **25 bln**. AZN

Inflation for 2016- 0%

Inflation for 2017 -**3** %

1. What is the real budget growth for 2017, if?

budget expenditures for 2016 - **22 bln**. AZN

budget expenditures for 2017 - **25 bln**. AZN

Inflation for 2016- 0%

Inflation for 2017 - **5** %

Ingilab Ahmadov

10.12.19