

Corrigendum/Explanation SFG 2024 Level 1 Test 12

There is 1 change in today's paper (Q.48). In Q.48, the correct answer is Option (a).

In Q.48) the correct answer is option (a).

There was a doubt raised regarding the Option 3 of the question that The Medium Term Expenditure Framework Statement is laid before the Parliament along with Annual Financial Statement or not?

Explanation: Option 3 is incorrect. The Medium Term Expenditure Framework Statement (MTEF) - is to be laid in the Session immediately following the Session of Parliament in which the annual financial statement is laid. So it would be incorrect to say that the Medium Term Expenditure Framework Statement (MTEF) is put in Parliament along with the Annual Financial Statement.

For Future Reference:

Q.48) Which of the following documents are mandatory to be laid before the Parliament by the Union Government along with the Annual Financial Statement, as per the Fiscal Responsibility and Budget Management Act, 2003 ?

1. The Medium-term Fiscal Policy Statement
2. The Fiscal Policy Strategy Statement
3. The Medium Term Expenditure Framework Statement
4. The Macroeconomic Framework Statement

Select the correct answer using the code given below:

- a) 1, 2 and 4 only
- b) 1 and 2 only
- c) 2, 3 and 4 only
- d) 1, 2, 3 and 4

Ans) a

Exp) Option a is the correct answer.

The Fiscal Responsibility and Budget Management Act, 2003 (FRBMA) mandates that the central government must lay before both Houses of Parliament certain statements along with the Annual Financial Statement.

Options 1, 2 and 4 are correct. Section 3 of the FRBM Act provides that the Central Government shall lay in each financial year before both Houses of Parliament the following statements of fiscal policy along with the annual financial statement namely:—

- (a) the Medium-term Fiscal Policy Statement;
- (b) the Fiscal Policy Strategy Statement;
- (c) the Macro-economic Framework Statement;
- (d) the Medium-term Expenditure Framework Statement.

Option 1: The Medium-term Fiscal Policy Statement is **presented to Parliament under Section 3(2) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003.** It sets out three-year rolling targets for four specific fiscal indicators in relation to gross domestic product (GDP) at market prices — (i) Revenue Deficit, (ii) Fiscal Deficit, (iii) Tax to GDP ratio and (iv) Total outstanding Debt at the end of the year.

Option 2: The Fiscal Policy Strategy Statement is **presented to Parliament under Section 3(4) of the Fiscal Responsibility and Budget Management Act, 2003**. It outlines the strategic priorities of the government in the fiscal area for the ensuing financial year relating to taxation, expenditure, lending and investments, administered pricing, borrowings and guarantee.

Option 4: The Macro-economic Framework Statement is presented before Parliament at the time of Union Budget presentation under Section 3(5) of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. The statement contains an overview of the economy. This includes an assessment regarding the GDP growth rate, fiscal balance of the central government and the external sector balance of the economy.

Option 3 is incorrect: Through Finance Act 2012, amendments were made to the Fiscal Responsibility and Budget Management Act, 2003 through which it was decided that in addition to the existing three documents, Central Government shall lay another document - the Medium Term Expenditure Framework Statement (MTEF) - before both Houses of Parliament. **It is to be laid in the Session immediately following the Session of Parliament in which the annual financial statement is laid and not along with the Annual Financial Document.**

Source:

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<https://dea.gov.in/sites/default/files/FRBM%20Act%202003%20and%20FRBM%20Rules%202004.pdf>

Subject:) Economy

Topic:) Budgetary Economics

Subtopic:)