

Section-2

1.1 Explain capitalization → Capitalization

is the

Recognition of a cost as an asset, rather than an expense.

This approach is used when a cost is not expected to be entirely consumed in the current period but rather over an extended period of time for example. office supplies are expected to be consumed in the near future, so they are charged to expense at once. An automobile is recorded as a fixed asset and charged to expense over a much longer period through depreciation.

blal Debt and its objective → The 1995 Debt Management Review established the Primary objective of UK debt management Policy 'as to minimise over the long term the cost of meeting the Government's financing needs' taking account of risk, whilst ensuring that debt management Policy is consistent with monetary Policy.

The government will generally have a wider objective than simply maximising its overall wealth, for example the government objective function may include the welfare of bondholders and taxpayers.