higher education & training

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REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

PUBLIC FINANCE N6

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
PUBLIC FINANCE N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. SECTION A is COMPULSORY.
2. Answer only TWO questions in SECTION B.
3. Read ALL the questions carefully.
4. Number the answers according to the numbering system used in this question paper.
5. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 Levies on imported products are called …

A import duty.
B consumption tax.
C value-added tax.
D transfer costs.

1.1.2 The economic regulation function of taxation implies …

A that unemployment can be limited.
B that inflation can be limited.
C that economic growth can be enhanced.
D ALL of the above.

1.1.3 The government of the day might decide to use fiscal policy to stimulate economic growth, which can be achieved through …

A incentives.
B deductions.
C exemptions.
D income.

1.1.4 … comprises the bulk of state revenue.

A Corporate income tax
B Tax liability
C Payroll tax
D Personal income tax

1.1.5 Government budgets must distinguish between …

A current and capital expenditure.
B different sources of taxes.
C government institutions.
D None of the above

1.1.6 The budget of a department can be regarded as …

A a financial plan.
B a policy statement.
C an operational plan.
D ALL of the above

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1.1.7 Excise duty is often referred to as …

A sin or luxury tax.
B value-added tax.
C property tax.
D profit tax.

1.1.8 The 'quid pro quo' principle means …

A people or legal entities.
B something for something.
C households.
D recreation.

1.1.9 Mining rights and licences of various kinds are classified under …

A user charges.
B consumer tariffs.
C nominal levies.
D import duty.

1.1.10 In the state's MTEF (medium-term expenditure framework) budget, funds are allocated for a …

A one-year period.
B period of one and half years.
C six-month period.
D None of the above.

(10 × 2) (20)

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 The VAT rate is determined by government.

1.2.2 The budget can be used as a financial planning tool.

1.2.3 Transfer taxation may be regarded as a tax levied on wealthier people of society, as reflected by their capital assets.

1.2.4 The income tax rate is determined by legislation.

1.2.5 Taxable income is that part of revenue on which taxation is based.

1.2.6 Taxes are recovered by SARS on behalf of government.

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1.2.7 Taxation is of a voluntary, optional nature.

1.2.8 Donation taxation aims to protect other tax sources, such as estate duty and income tax.

1.2.9 Company tax is the main source of income for government.

1.2.10 VAT can be regarded as a consumption tax.

(10 × 2) (20)

1.3 Complete the following sentences by filling in the missing word(s). Write only the word(s) next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

1.3.1 A refund by SARS for money owed to a taxpayer is known as a …

1.3.2 A budget is a financial statement containing estimates of income and …

1.3.3 … and taxes are amounts of money paid to the municipality for services of a person's property.

1.3.4 The … budget is enforceable until the main budget is implemented.

1.3.5 The … should reflect the overall policy of the government of the day.

1.3.6 … is a term used to describe people who are excluded from paying income tax.

1.3.7 … creep means that a person may earn less than before.

1.3.8 … duties are indirect taxes which are often referred to as sin tax.

1.3.9 … is a type of tax that is also known as the goods and services tax.

1.3.10 An … budget details a projection of estimated income and expenses during a given period.

(10 × 2) (20)

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1.4 Choose the correct word(s) from those given in brackets below. Write only the word next to the question number (1.4.1–1.4.10) in the ANSWER BOOK.

1.4.1 (Import/Excise) duty is used to stop the 'dumping' of goods.

1.4.2 (VAT/GST) is a sales tax levied on each successive stage of trading.

1.4.3 (Personal/Real) property refers to land plus improvements.

1.4.4 (Profit/Payroll) taxes are deductions from an employee's wages.

1.4.5 Standard expenditure items are detailed in the (financial/economic) schedule of the budget.

1.4.6 The (interim/main) budget allocates funds for the whole financial year.

1.4.7 (Deductions/Incentives) are used by government as a reward for increased productivity by industries.

1.4.8 A taxpayer receives a/an (sizeable/immeasurable) value for each unit of currency paid over in the form of taxation.

1.4.9 (Provincial/Local) governments are not allowed to levy taxes on betting.

1.4.10 (Personal/Personnel) tax represents the majority of state revenue.

(10 × 2) (20)

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1.5 Choose a word/item from COLUMN B that matches a description in COLUMN A. Write only the letter (A–J) next to the question number (1.5.1–1.5.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.5.1	When inflation is higher than 8%	A	protection of workers who are no longer employed
1.5.2	Unemployment insurance	B	political tensions
1.5.3	Amounts charged for use of water supplied by the local authority	C	bracket creeping
1.5.4	Represents the bulk of state revenue	D	incentives
1.5.5	Promotes economic development	E	ex post facto control
1.5.6	Income of government from taxation	F	state revenue
1.5.7	Control after the event	G	personal tax
1.5.8	Amount of tax owed	H	consumer tariffs
1.5.9	Feeling of not being able to trust one another	I	fiscal year
1.5.10	Period used by government for accounting and budget purposes	J	tax liability

(10 × 2) (20)
[100]

TOTAL SECTION A: 100

SECTION B

Answer only TWO questions from this section.

QUESTION 2

2.1 Give the SIX characteristics of a budget. (6 × 2) (12)

2.2 Explain in full the meaning of *transfers* in terms of the Adjustment Appropriation Bill. (10)

2.3 Indicate the FOUR steps involved in the budget cycle. (4 × 2) (8)

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2.4 Discuss THREE advantages of drafting a separate capital budget. (10)

2.5 Name any FIVE tax levies that are applicable to local governments. (5 × 2) (10)
[50]

QUESTION 3

3.1 Name the FOUR categories of capital budgeting. (4 × 2) (8)

3.2 Outline FIVE sources of state revenue. (5 × 2) (10)

3.3 Briefly discuss FOUR considerations when compiling the government budget. (4 × 3) (12)

3.4 Indicate FIVE objectives of the redistribution of wealth and income by the government. (5 × 2) (10)

3.5 Discuss the principle of *bracket creeping*. (10)
[50]

QUESTION 4

4.1 Describe the term *rollovers*. (4)

4.2 Give FOUR reasons why you think that we should have wealth tax in South Africa. (4 × 2) (8)

4.3 Give FOUR characteristics of the government budget. (4 × 2) (8)

4.4 List the FOUR factors of budget information classification. (4 × 2) (8)

4.5 Name and explain the THREE expense classifications that will be included in the operating budget. (3 × 4) (12)

4.6 Discuss FIVE aspects that are covered by the resource schedule budget. (5 × 2) (10)
[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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