higher education & training

Department:
Higher Education and Training
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. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a new page.
5. Use only a black or blue pen.
6. 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 The process where commitments made in the previous financial year were not realised and completed, is referred to as … .

A transfers
B roll over
C unavoidable circumstances
D expenditure

1.1.2 Duty imposed on personal property is referred to as … .

A transfer duty
B estate duty
C stamp duty
D indexing

1.1.3 The government of the day may decide to use the fiscal policy to stimulate economic growth. It can be achieved through … .

A incentives
B deductions
C exemptions
D income

1.1.4 … is responsible for the bulk of state revenue.

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

1.1.5 VAT is …. tax.

A consumption
B transfer
C value-added
D A and C

1.1.6 The budget of a department can be regarded as a/an …

A financial plan
B policy statement
C operational plan
D All of the above

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 A budget is also a … .

A source of revenue
B political statement
C transfer payment
D value added tax

1.1.9 A budget is a statement indicating how much will be earned and how much will be … .

A donated
B thrown away
C be spent
D be stolen

1.1.10 The … is the main instrument in which the government's fiscal policy is expressed.

A annual budget
B income statement
C stamp duty
D transfer payments

(10 × 2) (20)

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

1.2.1 Tax generally applies to net income; in other words the authorities allow certain deductions to be made.

1.2.2 Interest earned from certain investments are also exempted from tax.

1.2.3 Real property charges by local authorities comprise rates and taxes.

1.2.4 The format for capital budgets is not standardised similar to operational budgets.

1.2.5 Any redistribution of wealth should go directly towards creating more wealth through industrial and skills development.

1.26 Generally speaking, there is only one aim with taxation, namely to gather enough money to pay for services expected by the citizens of a country.

1.2.7 Capital expenditure is spent for the purpose of acquiring infrastructure.

1.2.8 At all times, any budget should reflect the overall policy of the government of the day.

1.2.9 A budget is a financial statement containing estimates of income and expenditure.

1.2.10 Rebates are taken into account before deductions are made.

(10 × 2) **(20)**

1.3 Choose the correct word or words from those in brackets. Write only the answer next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

1.3.1 (Indexing/Investment) is the adjustment of long-term contract account for the effects of inflation.

1.3.2 Company tax is also known as (corporate/indirect) tax.

1.3.3 VAT (Value Added Tax) is the same as (goods and services tax/personal tax).

1.3.4 Capital budgeting is also referred to as (investment appraisal/earnings appraisal).

1.3.5 The most emotional and controversial function of certain budgets is to promote (redistribution of wealth/inequality).

1.3.6 The (local/national) government budget should be planned and managed efficiently in order to transform municipal areas into better places for people to live and work.

1.3.7 (Property rates/Personal taxes) is the main source of income for local governments.

1.3.8 When drawing up their budgets, individual departments are given guidelines that might include the (maximum/minimum) limit on expenditure.

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1.3.9 A draft budget of each department must be accompanied by a (written/verbal) motivation.

1.3.10 The draft budget must comply with the (policy of Legislature/interest of the Minister of Finance).

(10 × 2) (20)

1.4 Choose a term from COLUMN A that matches a description in COLUMN B. Write only the letter (A–L) next to the question number (1.4.1–1.4.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.4.1	Personal tax	A	unemployment insurance
1.4.2	Bracket creeping	B	fiscal year
1.4.3	Contributions	C	responsible for the bulk of state revenue
1.4.4	Budget year	D	promote economic development
1.4.5	Consumer tariffs	E	water supply is an example
1.4.6	Nominal levies	F	when inflation is higher than 8%
1.4.7	Incentives	G	user charge
1.4.8	Ex post facto control	H	control after the event
1.4.9	Tensions	I	political aspirations
1.4.10	Revenue	J	source of funds
		K	control before the event

(10 × 2) (20)

[80]

TOTAL SECTION A: 80

SECTION B

QUESTION 2

2.1 Explain the following terms/concepts:

2.1.1 Budget

2.1.2 Audit

2.1.3 Budget execution

(4 × 3) (12)

2.2 Differentiate between *priori control* and *ex post facto control.* (5)

2.3 Discuss *preparation* as one phase in the government budget cycle. (12)

2.4 Describe the FOUR factors that are essential in supplying/classifying information, in order for the legislature to make decisions about budget allocation. (2 × 4) (8)

2.5 Name the THREE persons who have been vested with various powers and authority to control government expenditure. (3)

[40]

QUESTION 3

3.1 Explain the following terms/concepts:

3.1.1 Subject of taxation

3.1.2 Objects of taxation

3.1.3 Tax base

(4 × 3) (12)

3.2 Explain the THREE different types of consumption tax. (12)

3.3 Differentiate between *tax deductions* and *tax exemptions*. (5)

3.4 Give any FOUR types of wealth tax. (2 × 4) (8)

3.5 Explain the term *economic regulatory function* as one of the general aims of taxation. (3)

[40]

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QUESTION 4

4.1 Explain the following terms/concepts:

4.1.1 Revenue

4.1.2 Capital expenditure

4.1.3 Operating or current expenditure

(4 × 3) (12)

4.2 Differentiate between *equitable financing* and *stabilising effect.* (5)

4.3 Discuss the FOUR budget issues and problems that must be taken into consideration in the process of capital budgeting. (16)

4.4 Indicate the THREE external capital sources. (6)

4.5 Give any ONE internal capital source. (1)

[40]

TOTAL SECTION B: 120
GRAND TOTAL: 200

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