higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N1400**(E)**(M24)H

NATIONAL CERTIFICATE

PUBLIC FINANCE N6

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This question paper consists of 9 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

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

NOTE: If you answer more than the required number of questions only the required number will be marked. Clearly cross out ALL work you do NOT want to be marked.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions in SECTION A.
2. Answer any TWO questions in SECTION B.
3. Read ALL the questions carefully.
4. Number the answers according to the numbering system used in the 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 The distribution of the government budget implies that certain taxpayers are …

A entitled to an equal share of collective services.
B entitled to more than an equal share of collective services.
C not entitled to any collective services.
D none of the above

1.1.2 Value-added tax is a/an … tax.

A income
B consumption
C transfer
D none of the above

1.1.3 Company tax forms … part of the total tax revenue at central government level.

A the largest
B an important
C a small
D none of the above

1.1.4 The multiterm budget of the government allocates funds for a … period.

A three-year
B one-year
C six-month
D none of the above

1.1.5 Important characteristics of government budgets:

A Transparency and accountability only
B Transparency, accountability and the effective financial management of the economy, debt and public sector
C Effective financial management only
D None of the above

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

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

1.1.7 Typical examples of expenses that can be classified as equipment expenditure are …

A salaries.
B homeowners' allowances.
C furniture.
D A and B.

1.1.8 Typical examples of expenses that can be classified as personnel expenditure are …

A homeowners' allowances.
B telephone expenses.
C travel expenses.
D B and C.

1.1.9 Government budgets distinguish between the following criteria:

A Amounts payable in respect of taxes
B Sources of funding
C Purpose of expenditure
D B and C

1.1.10 Government budgets must provide for …

A different types of expenses.
B government institutions.
C current and capital expenditures.
D all of the above

(10 × 2) (20)

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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 Companies pay tax on their annual turnover.

1.2.2 A budget can be regarded as an operational plan.

1.2.3 Tax on properties may be regarded as a tax on the richer or wealthier people of society as reflected by their capital assets.

1.2.4 The rate of value-added tax is determined by the Reserve Bank.

1.2.5 The payment of taxes is enforced by legislation.

1.2.6 Taxes are recovered on behalf of the government by the South African Reserve Bank.

1.2.7 Donations and property taxes are the primary sources of government income.

1.2.8 Tax payable by individuals aims to protect other tax sources such as estate duty and income tax.

1.2.9 The additional budget allocation provides funds for a three-year period.

1.2.10 VAT can be regarded as a consumption tax.

(10 × 2) (20)

1.3 Complete the following sentences by writing the missing word or words next to the question number (1.3.1–1.3.10) in the ANSWER BOOK.

1.3.1 … duty is a protectionist tariff that a domestic government imposes on imports believed to be priced down below fair market value.

1.3.2 … is the acronym for pay as you earn.

1.3.3 The income-tax rate is determined by …

1.3.4 The … budget is enforceable until the main budget comes into place.

1.3.5 … income is the tax base for income tax.

1.3.6 Payroll … are imposed on employees as a percentage of their salaries.

1.3.7 … is quantifying objectives in financial terms.

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1.3.8 … budget is the allocation of funds to long-lived projects.

1.3.9 Tax levied on the value of any property acquired by any person by way of a transaction is referred to as … duty.

1.3.10 The budget speech is presented to the national legislature by the …

(10 × 2) (20)

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

1.4.1 A locally controlled company is called a (domestic/foreign) company.

1.4.2 The portion of income or wealth subject to taxation is the (tax base/tax rate).

1.4.3 Duty imposed on personal property is referred to as (transfer/ stamp) duty.

1.4.4 Excise duty is often referred to as (sin/property) tax.

1.4.5 The tax system used in South Africa is (standard/progressive).

1.4.6 Levies on imported products are (transfer/income) tax.

1.4.7 The finance unit of each government department must provide a written (programme/motivation) report to accompany estimates.

1.4.8 (Corporate/Personal) income tax is responsible for most of the revenue of the state.

1.4.9 A differentiated tax structure provides for limited (social responsibility/inflation).

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

(10 × 2) (20)

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1.5 Choose a description from COLUMN B that matches a term 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	Nominal levies	A	amount of taxation an individual incurs
1.5.2	User charges	B	period used for preparation of financial statements
1.5.3	Ex post facto control	C	increases as taxable income increases
1.5.4	Tensions	D	small charges paid below the real value
1.5.5	Revenue	E	for example water supply
1.5.6	Personal tax	F	inflation pushes income into higher tax charged
1.5.7	Bracket creeping	G	fees paid for use of public services
1.5.8	Tax liability	H	control after the event
1.5.9	Fiscal year	I	political aspirations
1.5.10	Consumer tariffs	J	state income to meet public expenses

(10 × 2) (20)

[100]

TOTAL SECTION A: 100

SECTION B

QUESTION 2

2.1	Give SIX important functions of a budget.		(6 × 2)	(12)
2.2	Explain the FIVE resource schedules in a budget.		(5 × 2)	(10)
2.3	List the FOUR components of an operating programme.		(4 × 2)	(8)
2.4	Discuss capital budgeting under each of the following headings:			
	2.4.1	Definition		(4)
	2.4.2	THREE techniques for capital budgeting	(3 × 2)	(6)
2.5	Explain each of the following terms:			
	2.5.1	Stamp duty		
	2.5.2	User charges		
	2.5.3	Deductions		
	2.5.4	Exemptions		
	2.5.5	Incentives	(5 × 2)	(10)
				[50]

QUESTION 3

3.1	The principles of good governance which apply to the executive and administrative bodies also apply to local government.			
	Name and discuss the TWO types of administrative control measures.			(10)
3.2	The public protector expects each department to promote accountability.			
	Discuss this statement.		(5 × 2)	(10)
3.3	Outline the steps involved in the budget cycle.		(4 × 2)	(8)
3.4	Name the FOUR types of wealth tax and give an example of each.		(4 × 2)	(8)
3.5	Explain the term *tax rate* regarding an individual.			(2)
3.6	Differentiate between *subjects of taxation* and *objects of taxation*.		(3 + 3)	(6)
3.7	Give THREE essential functions of taxation.		(3 × 2)	(6)
				[50]

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QUESTION 4

4.1 Name the FIVE project-prioritisation classifications for capital budgets. (5 × 2) (10)

4.2 One of the main objectives of the government budget is to redistribute wealth.

Discuss how this can be achieved by focusing on the South African government's perspective. (5 × 2) (10)

4.3 Explain the FIVE factors in the classification of the government budget in South Africa. (5 × 2) (10)

4.4 State THREE important functions of excise duty. (3 × 2) (6)

4.5 Explain why employees must pay income tax. (4)

4.6 Name and explain the FIVE main spending components that the budget checks in the execution phase of the budget cycle. (5 × 2) (10)
[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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