higher education & training

Department:
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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 any 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: COMPULSORY

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 Government budgets must distinguish between …

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

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

A financial plan.
B policy statement.
C operational plan.
D All the abovementioned.

1.1.3 Levies on imported products are … levies.

A income
B consumption
C value-added
D transfer

1.1.4 The quid pro quo principle means …

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

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

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

1.1.6 A budget is a financial statement of income and revenue for a …

A period of one year.
B period of two years
C period of six months.
D None of the above.

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1.1.7 Import duty may …

A discourage the importation of goods.
B stop the dumping of goods.
C serve a value-added function.
D A and B

1.1.8 Excise duty is…

A tax on petrol.
B sin tax.
C luxury tax.
D A, B and C

1.1.9 The government may use fiscal policy to stimulate economic growth. It can be achieved through …

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

1.1.10 … is responsible for the bulk of state revenue.

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

(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 Taxes are recovered on behalf of the government by SARS.

1.2.2 Tax is voluntary and optional.

1.2.3 Donation tax aims to protect other tax sources such as estate duty and income tax.

1.2.4 Company tax is the most important source of income for the government.

1.2.5 Transfer taxation may be regarded as a tax on the riches of wealthier people in society as reflected by their capital assets.

1.2.6 Stamp duty is not an ad valorem tax.

1.2.7 The main tool of budget control is auditing.

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1.2.8 VAT can be regarded as a consumption tax.

1.2.9 The rate of income tax is determined by legislation.

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

(10 × 2) (20)

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

1.3.1 … on certain things means that income tax does not have to be paid on that.

1.3.2 … means that a person paying income tax may earn less than before after a raise.

1.3.3 Excise duty is not levied as … and this makes it easy to monitor and collect.

1.3.4 A vendor pays … to SARS in the way of VAT.

1.3.5 The … co-ordinates and integrates activities of the government over a given financial year.

1.3.6 An … is the examination of financial records by various budget authorities.

1.3.7 The capital budget supplies expenditure inputs to the … budget.

1.3.8 Real property charges by local authorities comprise … and taxes.

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

1.3.10 The … should reflect the overall policy of the government.

(10 × 2) (20)

1.4 Choose the correct term from those in brackets. Write only the answer 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 dumping of goods.

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

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

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1.4.4 (Income/Payroll) is tax on money earned by companies.

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

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

1.4.7 (Deductions/Incentives) imply that tax generally applies to net income.

1.4.8 A taxpayer receives a (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)

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

COLUMN A		COLUMN B	
1.5.1	Revenue budget	A	ensuring effective and efficient spending of public funds
1.5.2	State revenue fund	B	people and salaries
1.5.3	Roll-overs	C	expected income
1.5.4	National government grants	D	day-to-day running expenses
1.5.5	Current expenditure	E	process of preserving a condition
1.5.6	Capital expenditure	F	lasts for longer than one year
1.5.7	Maintenance	G	source of income for provincial governments
1.5.8	A priori control	H	money carried to next financial year for unfinished projects
1.5.9	Personnel	I	official statement that something is acceptable
1.5.10	Approval	J	SARS
		K	control after event

(10 × 2) (20)

[100]

TOTAL SECTION A: 100

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SECTION B

Answer any TWO questions from this section.

QUESTION 2

2.1 Explain *redistribution of wealth*. (2)

2.2 Discuss THREE aims of taxation. (9)

2.3 State FIVE characteristics of a budget. (10)

2.4 Discuss FOUR institutions needing information on the budget. (12)

2.5 Give THREE reasons why a capital budget should be drafted separately. (6)

2.6 List THREE internal sources of capital finance. (3)

2.7 Describe FOUR tax levies applicable to local governments. (8)

[50]

AND/OR

QUESTION 3

3.1 Briefly explain each of the following budget concepts:

3.1.1 Revenue

3.1.2 Expenditure

3.1.3 Capital expenditure

3.1.4 Operational expenditure

3.1.5 Policy directives

(5 × 2) (10)

3.2 Indicate FOUR phases of a budget cycle. (8)

3.3 Discuss capital budgeting under each of the following headings:

3.3.1 Meaning of *capital budgeting* (3)

3.3.2 THREE items to be included in capital budgeting (9)

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3.4 Discuss FOUR types of taxation. (12)

3.5 Indicate FOUR requests that may be made for the adjustment and amendment of the main budget in the Adjustment Appropriation Bill. (8)
[50]

AND/OR

QUESTION 4

4.1 The preamble is an introduction to the budget speech.

Name TWO items the preamble introduces. (4)

4.2 4.2.1 Explain *import duties*. (2)

4.2.2 State TWO purposes of import duties. (4)

4.3 Differentiate between *estate duty* and *transfer duty*. (8)

4.4 Explain FOUR classifications of the supply of budget information to the legislature. (12)

4.5 Explain *audit*. (5)

4.6 Name and briefly describe THREE types of audits applicable to public sector finances. (15)
[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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