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. 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 A taxpayer cannot expect to receive measurable value for each unit of currency paid over in the form of taxation.

A Pro bono
B Externalities
C Absence of quid pro quo
D None of the above.

1.1.2 Services that are provided for which there is no charge.

A Electricity
B Defence of a nation
C Old age pension
D B and C.

1.1.3 Certain bodies/persons that are exempted from paying tax:

A Non-profit institutions
B Former heads of state
C War veterans
D A, B and C

1.1.4 Companies' tax form a/an … part of the total tax revenue of the central government.

A substantial
B small
C large
D average

1.1.5 VAT is … tax.

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

1.1.6 Governments may also derive income from …

A grants.
B donations.
C loans.
D All of the above.

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1.1.7 The budgetary processes of government must promote …

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

1.1.8 The budget information of the expenditure budget is classified in terms of …

A purpose of expenditure, expenditure items and sources of financing.
B financial responsibility, purpose of expenditure, expenditure items and sources of financing.
C sources of financing and expenditure.
D None of the above.

1.1.9 Funds are requested in the additional budget for …

A new activities which were originally not taken into account when the main budget was drafted.
B existing activities for which the main budget has provided insufficient funds.
C rendering private services for ministers.
D A and B.

1.1.10 Different types of taxation are …

A income tax.
B import duty.
C tariffs.
D A, B and C

(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.

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

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

1.3.1 The … budget deals with big projects that are paid once to develop something in a community.

1.3.2 The … year of the government budget runs from 1 April to 31 March each year.

1.3.3 The … tax base is determined by SARS.

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

1.3.5 That portion of income, or wealth which is subject to taxation is called …

1.3.6 A situation when an industry in a country is subsidised results in …

1.3.7 Exemptions refer to allowing some institutions or non-profit organisations not to pay tax as long as they do not make any …

1.3.8 An example of … charges is rent paid for the use of government-owned properties, such as sporting facilities.

1.3.9 The wealth tax that you pay when you own land and buildings is called …

1.3.10 … system is where the tax rate increases with income, and where the redistribution of wealth takes place automatically.

10 × 2) (20)

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

1.4.1 The government of the day might decide to use a (monetary/fiscal) policy to stimulate economic growth.

1.4.2 Government budget must be valid for (6 months/12 months).

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

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

1.4.5 Mining rights and licences of various kinds are classified under (user charges/nominal levies).

1.4.6 Levies on imported products are (transfers/income) to the government.

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

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

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

1.4.10 A/An (exchequer/budget) is a financial statement containing estimates of income and expenditure.

(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 – K) next to the question number (1.5.1–1.5.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.5.1	Personal tax	A	unemployment insurance
1.5.2	Bracket creeping	B	fiscal year
1.5.3	Contributions	C	responsible for the bulk of state revenue
1.5.4	Budget year	D	promote economic development
1.5.5	Consumer tariffs	E	water supply is an exmple
1.5.6	Nominal levies	F	when inflation is higher than 8%
1.5.7	Incentives	G	user charge
1.5.8	Ex post facto control	H	control after the event
1.5.9	Tensions	I	political aspirations
1.5.10	Revenue	J	source of funds
		K	control before the event

(10 × 2) (20)
[100]

TOTAL SECTION A: 100

SECTION B

Answer only TWO questions in this section.

QUESTION 2

2.1 The budget speech is made in parliament by the Minister of Finance on the second Wednesday of February each year. Ministers and departmental heads are advised to exercise financial accountability when dealing with public funds. Discuss the budget in terms of the following:

2.1.1 Give THREE persons/offices that are given powers or authority by legislature to control state expenditure. (3)

2.1.2 Priori control (4)

2.1.3 Ex post facto control (4)

2.1.4 Tax exemption (2)

2.2 Describe any FIVE items or topics the Minister of Finance will talk about or cover as a preamble in his budget speech. (5 × 2) (10)

2.3 Discuss FOUR sources of state revenue. (4 × 3) (12)

2.4 Describe any FIVE tax levies applicable to local governments. (5 × 2) (10)

2.5 What do the following abbreviations stand for?

2.5.1 SARS

2.5.2 GST

2.5.3 PAYE

2.5.4 UIF

2.5.5 NDP

(5 × 1) (5)

[50]

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QUESTION 3

3.1 The principles of good governance that apply to the executive and administrative bodies also apply to local government.

State and discuss the TWO types of budget that are found in local government. Give ONE example of each type. (10)

3.2 Name and briefly describe TWO different types of taxation. Illustrate your answer with one applicable example of each. (10)

3.3 Outline the steps or phases involved in the budget cycle. (8)

3.4 Explain the term *economic regulatory function*. (8)

3.5 What do you understand by the term *nominal levies* for an individual? (2)

3.6 Differentiate between *user charges and consumer tariffs,* and give ONE example of each. (6)

3.7 List THREE special exemptions that are used to promote economic development. (3 × 2) (6)

[50]

QUESTION 4

4.1 The budget becomes an operating programme once the budget debate has been concluded.

State FIVE important ways in which the budget is used to check spending. (5 × 2) (10)

4.2 Describe the FOUR criteria that are used to prioritise capital budgeting. (4 × 2) (8)

4.3 Indicate the FOUR budget issues and problems during the capital budgeting process. (4 × 2) (8)

4.4 List any TWO external sources of capital. (2 × 2) (4)

4.5 State THREE important functions of import duty. (3 × 2) (6)

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

4.7 Name the FIVE main steps in developing a policy operating programme. (5 × 2) (10)

[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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