



# higher education & training

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

N1390(E)(J1)H

NATIONAL CERTIFICATE

**PUBLIC FINANCE N6**

(21010076)

**1 June 2018 (X-Paper)**  
**09:00–12:00**

**This question paper consists of 9 pages.**

**DEPARTMENT OF HIGHER EDUCATION AND TRAINING  
REPUBLIC OF SOUTH AFRICA**

**NATIONAL CERTIFICATE**

**PUBLIC FINANCE N6**

**TIME: 3 HOURS**

**MARKS: 200**

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**NOTE:** If you answer more than the required number of questions, only the required number will be marked. ALL work you do not want to be marked must be clearly crossed out.

**INSTRUCTIONS AND INFORMATION**

1. This question paper consists of two sections.
  2. Answer ALL the questions in SECTION A.
  3. Answer any TWO of the three questions in SECTION B.
  4. Read ALL the questions carefully.
  5. Number the answers according to the numbering system used in this question paper.
  6. Write neatly and legibly.
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**SECTION A**

Answer ALL the questions in 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 Revenue includes ...

- A consumer tariffs.
- B goodwill.
- C consumer rights.
- D shareholders' equity.

1.1.2 Money charged for the use of certain products or services is referred to as ...

- A surcharges.
- B user charges.
- C bank charges.
- D interest charges.

1.1.3 ... duty is tax charged on legal documents for the transfer of property.

- A Import
- B Export
- C Stamp
- D Excise

1.1.4 The rate of value added tax is determined by ...

- A SARB (South African Reserve Bank).
- B SARS (South African Revenue Services).
- C the Minister of Finance.
- D members of Parliament.

1.1.5 Taxation is ...

- A compulsory.
- B optional.
- C a matter of willingness.
- D paid by businesses only.

1.1.6 ... is a principle of taxable income.

- A Short-basing
- B Adequacy
- C Incompatibility
- D Inconvenience

1.1.7 The more people earn, the ... the rate of taxation.

- A lower
- B stable
- C higher
- D less

1.1.8 ... are exempted from paying tax.

- A Profit-making institutions
- B Companies
- C Non-profit-making institutions
- D Workers

1.1.9 A/an ... schedule gives details of a plan of action in a certain order within a particular time.

- A control
- B coordinating
- C general
- D activity

1.1.10 ... is/are the use of fiscal policy by the government to stimulate economic growth.

- A Social grants
- B Incentives
- C Import promotion
- D Dumping

(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 A taxpayer receives a measurable value for each unit of currency paid over in the form of taxation.

1.2.2 Provincial governments are not allowed to levy taxes on betting.

1.2.3 Deductions imply that tax generally applies to net income.

1.2.4 The budget is a policy statement of belief, ideals and aspirations expressed in financial terms.

- 1.2.5 Personal tax represents the majority of state revenue.
- 1.2.6 The budget debate takes place before the budget has been tabled in parliament.
- 1.2.7 The minister of finance is a tax collector.
- 1.2.8 The standard expenditure items are not detailed in the financial schedule of the budget.
- 1.2.9 Revenue is a source of funds.
- 1.2.10 South Africa's budget year runs from 1 April to 31 March each year.

(10 × 2) (20)

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

- 1.3.1 ... tax is a tax that the government imposes on financial income generated/earned by all entities.
- 1.3.2 Individuals and businesses are compelled by law to submit a/an ... tax return every year to determine if they owe any tax or qualify for a refund.
- 1.3.3 ... duties/taxes are taxes paid when purchases are made on specific goods such as petrol.
- 1.3.4 Tax paid on the importation of goods is called ... duties.
- 1.3.5 ... is a process of creating a plan to spend your money.
- 1.3.6 A budget is expressed in quantitative or ... terms.
- 1.3.7 For a budget to allow changes in the changing environment, it is referred to as ...
- 1.3.8 A government budget is an annual financial statement presenting the government's proposed revenues and ...
- 1.3.9 Tax assessed on real estate is referred to as ... tax.
- 1.3.10 The ... budget is a budget allocating money for the acquisition of fixed assets.

(10 × 2) (20)

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

- 1.4.1 The aim of taxation is to raise (revenue/loans) to meet public expenditure.
- 1.4.2 Spending by government on collective needs or wants like pension and infrastructure is called (public spending/business spending).
- 1.4.3 Assessment rates are taxes paid on the (estimated value/assessed value) of your property.
- 1.4.4 Turnover tax is a tax that replaces (income tax/foreign tax) for qualifying microbusinesses.
- 1.4.5 One of the main purposes of the government budget is to forecast (profit and loss/income and expenditure).
- 1.4.6 An (income/expenditure/) budget shows the revenue and capital disbursement of the estimates in various departments.
- 1.4.7 A government operational budget based upon the achievement of specific income levels is called an (income/expenditure) budget.
- 1.4.8 The (receiving period/payback period) is one of the capital budgeting decision tools.
- 1.4.9 Net present value is the (difference/sum) of the present value of the cash inflows and the present value of the cash outflows.
- 1.4.10 The government budget speech is tabled in parliament by the (Minister of Finance/Minister of Trade and Industry).

(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	Approval	A	an increase in the price of an imported item making it to be more expensive
1.5.2	Control		
1.5.3	Deductions	B	moving personnel from one department to another
1.5.4	Transfers	C	comparing estimated expenditure and income
1.5.5	Consumer tariffs		
1.5.6	Levies	D	payments for environmental services
1.5.7	Estate duty	E	political aspirations causing worries
1.5.8	User charges	F	express favourable opinion on budget debate
1.5.9	Excise		
1.5.10	Tensions	G	taxes on hunting and fishing
		H	tax levied on deceased's assets
		I	cost subtracted from revenue for tax purposes
		J	tax on goods produced and used within the country
		K	tax paid on the income of an individual

(10 × 2)

(20)

**[100]****TOTAL SECTION A: 100**

**SECTION B**

Answer any TWO of the three questions in SECTION B.

**QUESTION 2**

- 2.1 What is the primary purpose of taxation? (2)
- 2.2 Name FIVE principles of taxable income. (5 × 2) (10)
- 2.3 Discuss the *redistribution of wealth* under the following:
- 2.3.1 Meaning (2)
- 2.3.2 FIVE methods of wealth redistribution (5 × 2) (10)
- 2.4 Explain the following terms:
- 2.4.1 Tax deductions
- 2.4.2 Exemptions
- 2.4.3 Incentives (3 × 4) (12)
- 2.5 State the FIVE basic steps that should be followed when preparing the budget. (10)
- 2.6 What is an activities schedule? (4)
- [50]**

**QUESTION 3**

- 3.1 Explain THREE types of tax that are paid by an individual and give ONE example of each. (15)
- 3.2 Name the TWO types of budgets that are applied by local government. (2)
- 3.3 Name FIVE classifications in a capital budget according to which things are prioritised. (5 × 2) (10)
- 3.4 Discuss THREE main sources of operational budget financing. (9)
- 3.5 Discuss *capital budgeting* under the following:
- 3.5.1 Meaning of capital budgeting (2)
- 3.5.2 Capital budgeting tools (3 × 4) (12)
- [50]**



**QUESTION 4**

- |     |  |         |             |
|-----|--|---------|-------------|
| 4.1 | Name and briefly explain THREE types of audits applicable to public sector finances. | (3 × 5) | (15)        |
| 4.2 | Give FIVE objectives of taxation.  | (5 × 2) | (10)        |
| 4.3 | What are the TWO main purposes of a budget speech in South Africa?                   | (2 × 2) | (4)         |
| 4.4 | Discuss FIVE objectives of the government budget.                                    |         | (15)        |
| 4.5 | Which are the FOUR steps involved in a budget cycle?                                 |         | (4)         |
| 4.6 | Explain the term <i>virement</i> in the departmental/government budget.              |         | (2)         |
|     |  |         | <b>[50]</b> |

<b>TOTAL SECTION B:</b>	<b>100</b>
<b>GRAND TOTAL:</b>	<b>200</b>