



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

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NATIONAL CERTIFICATE

PUBLIC FINANCE N6

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This question paper consists of 8 pages.

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 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 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 Important function of import duty:

- A Discourages importation of goods
- B Stops dumping
- C Adds value
- D A and B

1.1.2 An example of excise duty:

- A Tax on petrol
- B Sin tax
- C Luxury tax
- D A, B and C

1.1.3 The government of the day may use fiscal policy to stimulate economic growth which 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 Government budgets must distinguish between ...

- A current and capital expenditure.
- B different tax sources.
- C government institutions.
- D none of the abovementioned.

1.1.6 The budget of a department can be regarded as ...

- A a financial plan.
- B a policy statement.
- C an operational plan.
- D all of the abovementioned.

1.1.7 Levies on imported products are ... levies.

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

1.1.8 The principle of quid pro quo means ...

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

1.1.9 Mining rights and licences of various kinds are classified under ...

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

1.1.10 A budget is a financial statement of income and revenue for a ...

- A one-year period.
- B two-year period.
- C six-month period.
- D None of the abovementioned

(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 Stamp duty is not an ad valorem tax.

1.2.2 The main tool of control is the audit.

1.2.3 VAT can be regarded as a consumption tax.

1.2.4 The rate of income tax is determined by legislation.

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

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

1.2.7 Taxation is of a voluntary, optional nature.

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

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

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

(10 × 2) (20)

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

1.3.1 is the examination of financial records by various authorities.

1.3.2 The capital budget supplies expenditure ... to the operating budget.

1.3.3 Real-property charges by local authorities comprises ... and ...

1.3.4 The ... budget is enforceable until the main budget is in place.

1.3.5 The ... should reflect the overall policy of the current government.

1.3.6 The term used for people who are excluded from paying income tax is ...

1.3.7 Due to ... a person may earn less after a raise.

1.3.8 Excise duty is not levied as ... which makes it easy to monitor and collect.

1.3.9 A ... pays over to SARS by means of VAT.

1.3.10 The ... coordinates and integrates activities.

(10 × 2) (20)

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

- 1.4.1 The (interim/main) budget allocates funds for an entire financial year.
- 1.4.2 (Deductions/Incentives) imply that tax generally applies to net income.
- 1.4.3 A taxpayer receives a (sizeable/immeasurable) value for each unit of currency paid over in the form of taxation.
- 1.4.4 (Provincial/Local) governments are not allowed to levy taxes on betting.
- 1.4.5 (Personal/Personnel) tax represents the majority of state revenue.
- 1.4.6 (Import/Excise) duty is used to stop the dumping of goods.
- 1.4.7 (VAT/GST) is a sales tax levied on each successive stage of trading.
- 1.4.8 (Personal/Real) property refers to land plus improvements.
- 1.4.9 (Income/Payroll) tax should be seen as tax on money earned by companies.
- 1.4.10 Standard expenditure items are detailed in the (financial/economic) schedule.

(10 × 2)

(20)

- 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	when inflation is higher than 8%
1.5.2	Tensions	B	unemployment insurance
1.5.3	Bracket creeping	C	for example amounts charged for water supply
1.5.4	Incentives	D	taxes are responsible for the bulk of revenue for the state
1.5.5	Ex post facto control	E	promotes economic development
1.5.6	State revenue	F	source of funds
1.5.7	Personal tax	G	control after the event
1.5.8	Consumer tariffs	H	user charge
1.5.9	Budget year	I	political aspirations
1.5.10	Tax liability	J	fiscal year

(10 × 2)

(20)
[100]**TOTAL SECTION A: 100****SECTION B**

Answer only TWO questions in this section.

QUESTION 6

- 6.1 Name and explain the SIX most important budget concepts. (6 × 2) (12)
- 6.2 Explain the term *full roll-over* in relation to the Adjustment Appropriation Bill. (5 × 2) (10)
- 6.3 Differentiate between *tax base* and *tax rate*. (4 + 4) (8)
- 6.4 Explain why drafting a separate capital budget might be advantageous. (10)
- 6.5 Name FIVE tax levies applicable to local governments. (5 × 2) (10)
[50]

AND/OR

QUESTION 7

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|-----|---|---------|-------------|
| 7.1 | Why is the budget speech such a newsworthy event? | (5 × 2) | (10) |
| 7.2 | List FOUR internal sources of revenue for local-government capital projects. | (4 × 2) | (8) |
| 7.3 | Briefly discuss the issues to consider when compiling a capital budget. | (6 × 2) | (12) |
| 7.4 | Discuss the redistribution of wealth in the South African economical context. Explain whether redistribution is an achievable reality or not. | | (10) |
| 7.5 | Discuss the <i>dumping principle</i> . | (5 × 2) | (10) |
| | | | [50] |

AND/OR**QUESTION 8**

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|-----|--|---------|-------------|
| 8.1 | List THREE items reviewed in a budget speech. | (3 × 2) | (6) |
| 8.2 | Define the term <i>sundry revenue</i> and give examples thereof. | (4 × 2) | (8) |
| 8.3 | Differentiate between <i>subjects of taxation</i> and <i>objects of taxation</i> . | (4 + 4) | (8) |
| 8.4 | Name FOUR factors to consider when classifying budget information. | (4 × 2) | (8) |
| 8.5 | 8.5.1 Define the term <i>audit</i> . | | (5) |
| | 8.5.2 Name and briefly explain THREE types of audits applicable to public-sector finances. | (3 × 5) | (15) |
| | | | [50] |

TOTAL SECTION B:	100
GRAND TOTAL:	200