



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 12BECO	LEVEL: 7
COURSE CODE: PFN712S	COURSE NAME: PUBLIC FINANCE
SESSION: NOV 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. PEN,
2. PENCIL
3. CALCULATOR

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)

SECTION A

Multiple Choices just write down the letter e.g. A, B, C or D 2x10 = 20 Marks

1. A pure private good is
 - (a) nonrival in consumption and subject to exclusion.
 - (b) rival in consumption and subject to exclusion.
 - (c) rival in consumption and not subject to exclusion.
 - (d) all of the above
2. Movement from an inefficient allocation to an efficient allocation in the Edgeworth Box will
 - (a) increase the utility of all individuals.
 - (b) increase the utility of at least one individual, but may decrease the level of utility of another person.
 - (c) increase the utility of one individual, but cannot decrease the utility of any individual.
 - (d) decrease the utility of all individuals.
3. Public goods can be
 - (a) provided privately.
 - (b) provided publicly.
 - (c) subject to free rider problems.
 - (d) all of the above.
4. Externalities can be positive because
 - (a) marginal damages do not last over time.
 - (b) utility can be impacted positively as well as negatively.
 - (c) there is no concept for marginal benefit.
 - (d) positive externalities are subsidies.
5. A Pigouvian subsidy
 - (a) cannot exist with externalities.
 - (b) is the same thing as a Pigouvian tax.
 - (c) is measured in terms of Pigouvian dollars.
 - (d) moves production to the socially optimal level of output
6. Which method can help in obtaining a welfare improvement if externalities exist?
 - (a) Pigouvian taxes
 - (b) regulation
 - (c) assigning property rights and permitting bargaining
 - (d) all of the above
7. The economic incidence of a unit tax is
 - (a) generally borne by the buyers.
 - (b) generally borne by sellers.
 - (c) generally borne by the government.
 - (d) independent of the statutory incidence for the tax.
8. Marginal damages
 - (a) must always be considered in social marginal costs.
 - (b) must not be considered in social marginal costs.
 - (c) must sometimes be considered in social marginal costs.
 - (d) have nothing to do with social marginal costs.
9. In a public goods context, it is difficult to measure impact on real income because
 - (a) public goods are generally free to the public.
 - (b) they make up a small percentage of total GDP.
 - (c) it is hard to measure how people value the public good.
 - (d) inflation decreases the value of the good
10. An ad valorem tax is
 - (a) given as a proportion of the price.
 - (b) Latin for "buyer beware."
 - (c) identical to a unit tax.
 - (d) computed using the "inverse taxation rule."

SECTION B**[80 MARKS]**QUESTION 1 [30 marks]**Income Tax in 2013**

Taxable amount(N\$)	Tax on lower amount(N\$)	% tax on excess over lower amount
0 – 50 000	0	0%
50 001 – 100 000	0	18%
100 001 – 300 000	9 000	25%
300 001 – 500 000	59 000	28%
500 001 – 800 000	115 000	30%
800 001 – 1 500 000	205 000	32%
Above 1 500 001	429 000	37%

Source: PWC

- a) Namibian Income Tax is taxed on the formula above. Calculate the total amount of tax paid by an individual earning N\$950 001 per annum. (3)
- b) Define effective rate and marginal rate. (4)
- c) Calculate the effective rate (2)
- d) Elaborate upon the following terms:
 - i. Statutory incidence of taxes (4)
 - ii. Economic incidence of taxes (4)
 - iii. Double dividend taxes (4)
 - iv. Direct and indirect taxes. Give 3 examples of each (9)

QUESTION 2 [25 marks]

1. With the help of a diagram discuss the deadweight and the gone of taxation (10)
2. Discuss 6 aspects of identifying the need for tax reform in an economy tax system and relate to Namibian situation (15)

QUESTION 3 [25 marks]

1. With the help of a graph explain the negative production and positive consumption externalities and give one example for each? (12)
2. Explain the various sources of government revenue and their impact on the economy. (13)

[Total marks 100]**END**