



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION**

**DEPARTMENT ECONOMICS, ACCOUNTING AND FINANCE**

<b>QUALIFICATION : BACHELOR OF ECONOMICS</b>	
<b>QUALIFICATION CODE:</b> 07BECO	<b>LEVEL:</b> 7
<b>COURSE CODE:</b> PFN712S	<b>COURSE NAME:</b> PUBLIC FINANCE
<b>SESSION:</b> JUNE 2025	<b>PAPER:</b> THEORY
<b>DURATION:</b> 3 HOURS	<b>MARKS:</b> 100

<b>FIRST OPPORTUNITY EXAMINATION_QUESTION PAPER</b>	
<b>EXAMINER(S)</b>	MR. MALLY LIKUKELA
<b>MODERATOR:</b>	MS NAEMI SHIDHUDHU

<b>INSTRUCTIONS</b>
<ol style="list-style-type: none"><li>1. This paper consists of 4 sections <b>A, B, C</b> and <b>D</b></li><li>2. Answer <b>ALL</b> questions.</li><li>3. Number your answers in accordance with the question paper.</li><li>4. Start each section answer on a new page.</li><li>5. Write clearly and legibly</li></ol>

<b>PERMISSIBLE MATERIALS</b>
<ol style="list-style-type: none"><li>1. Pen, pencil and eraser</li><li>2. Ruler</li><li>3. Calculator</li></ol>

**THIS EXAMINATION QUESTION PAPER CONSISTS OF 5 PAGES** (Including this front page)

**SECTION A: MULTIPLE CHOICE****[20 MARKS]**

1. **If interest payments are subtracted from gross fiscal deficit, the remainder will be** [2]
  - A. revenue deficit
  - B. gross primary deficit
  - C. capital deficit
  - D. Interest deficit
2. **Which one of the following is a means of coping with a negative externality?** [2]
  - A. emission subsidies
  - B. Pigouvian taxes
  - C. vouchers
  - D. patents
3. **The burden of direct taxes is borne by:** [2]
  - A. on whom it is levied
  - B. none of these
  - C. poor person
  - D. Rich person
4. **A pure private good is:** [2]
  - A. All choices are correct.
  - B. rival in consumption and subject to exclusion.
  - C. nonrival in consumption and subject to exclusion.
  - D. rival in consumption and not subject to exclusion.
5. **A ..... Tax is based on the taxpayer's ability to pay. It imposes a lower tax rate on low-income earners than on those with a higher income.** [2]
  - A. Regressive
  - B. Proportional
  - C. Progressive
  - D. All of the above
6. **Pareto efficient is:** [2]
  - A. A concept commonly used in economics, is an economic situation in which it is impossible to make one party better off.
  - B. When all person cannot be made better off without worsening the condition of other persons.
  - C. if the only way to make one person better off is to make another person worse off.
  - D. All of the above
7. **Fiscal policy is related to:** [2]
  - A. Public revenue and expenditure
  - B. Exports and imports
  - C. Issues and circulation of currencies
  - D. Money supply and interest rate

- 8. The marginal rate of substitution is:** [2]
- A. The slope of the Pareto curve
  - B. The slope of the utility possibilities curve
  - C. The slope of the contract curve
  - D. The slope of the indifference curve
- 9. When an additional unit of output is produced, the extra cost to society is the**
- A. marginal private cost.
  - B. marginal external cost.
  - C. average total cost.
  - D. marginal social cost.
- 10. Public goods are provided by government because**
- A. private firms do not take into account the impact of external costs.
  - B. governments are more efficient than private firms at producing public goods.
  - C. people value national defence very highly.
  - D. private firms will make an economic profit.

**SECTION B: TRUE OR FALSE**

**[20 MARKS]**

1. Government purchases of goods and services for current consumption are classified as government investment. [2]
2. The source of employment income is determined as the place where the services are rendered, irrespective of the residency of the person making the payment or the place from where the payment is made. [2]
3. Market failure refers to a situation where the market does not lead to a desired outcome/result. [2]
4. Negative externalities such as pollution, noise and smoking can be corrected by imposing legislation or taxes. [2]
5. Edgeworth Box is an analytical device used to model welfare economic theory. [2]
6. Lack of data does not prevent policymakers from assessing the potential impact of major changes to the tax system. [2]
7. The Ministry of Finance in Namibia is the nation's main tax collecting authority. [2]
8. Externalities (third parties' effects) can never be positive. [2]
9. There are no gains from trade or reallocation when there is Pareto Efficient. [2]
10. VAT is levied on the difference between the purchase cost of an asset and the price at which it can be sold. [2]

**SECTION C:** **[50 MARKS]****QUESTION 1** **[10 MARKS]**

Define and explain the scope for Public Finance

**QUESTION 2** **[20 MARKS]**

Describe the five solutions to the problem of externalities

**QUESTION 3** **[20 MARKS]**

Describe the main disadvantages of VAT.

**SECTION D:** **[10 MARKS]**

Based on the information provided in the table below. Answer the following question

**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

Namibian Income Tax was taxed in 2013 based on the table above.

**QUESTION 1**

**[5 MARKS]**

Calculate the total amount of tax paid by an individual earning NS750 001 per annum.

**QUESTION 2**

**[5 MARKS]**

Calculate the effective tax rate and marginal tax rate

