



NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION:	BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7	
COURSE CODE: PFN712S	COURSE NAME: PUBLIC FINANCE	
SESSION: JUNE 2022	PAPER: THEORY	
DURATION: 3 HOURS	MARKS: 100	

FIRST OPPORTUNITY EXAMINATION_PAPER	
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MODERATOR:	MR. M MBAHA

INSTRUCTIONS
<ol style="list-style-type: none">1. This paper consist of section A,B,C and D2. Answer ALL questions3. Number your answers in accordance with the question paper.4. Start each section answer on a new page5. Write clearly and legibly

PERMISSIBLE MATERIALS

1. Pen/pencil/eraser
2. Ruler
3. Calculator

THIS EXAMINATION MEMORANDA CONSISTS OF 6 PAGES (Including this front page)

1. Operational Efficiency is
 - (a) States that agencies should provide goods and services at a cost that achieves ongoing efficiency gains
 - (b) The budget system should facilitate reallocation from lesser to higher priorities and from less to more effective programs
 - (c) is the ability of a firm to produce as much output as possible with a specified level of inputs, given the existing technology.
 - (d) All of the above

2. 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

3. Positive Economics is based on:
 - a) Statements that contain opinions and value judgement. i.e. "what ought to be" or "what should be
 - b) based on factual statements and such statements contain no value judgement
 - c) Statements that cannot be settled by science or by an appeal to and such statement
 - d) All of the above

4. 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

5. Market failure can occur when
 - (a) monopoly power exists in the market.
 - (b) markets are missing.
 - (c) consumers can influence prices.
 - (d) all of the above.

6. Progressive tax
 - a) is when a taxpayer pay higher taxes if he earns more income and lower taxes if he earns less
 - b) Is when low income individuals pay a higher percentage of their incomes in taxes, than richer individuals
 - c) a tax in which the tax rate decreases as the taxable amount increases
 - d) All of the above

7. Pareto points in the Edgeworth Box are
- a) Found when indifference curves are tangent.
 - b) Found when MRS are equal.
 - c) Found when one person cannot be made better off without making another person worse off.
 - d) all of the above.
8. The slope of budget line is called
- a) the diminishing marginal return
 - b) the marginal rate of substitution
 - c) the Marginal Rate of Transformation
 - d) the rate of marginal substitution
9. Movement from an inefficient allocation to an efficient allocation in the Edgeworth Box will
- a) Increase the utility of all individuals what explain the law of demand
 - 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
10. **Allocative efficiency**
- a) Tells us the relationship between the quantity allocated, and the price
 - b) Is about allocating resources such that the maximum utility is generated
 - c) Is the ability of a firm to produce as much output as possible with a specified level of inputs, given the existing technology.
 - d) All of the above

SECTION A: TRUE OR FALSE**10 MARKS**

1. Edgeworth Box is an analytical device used to model welfare economic theory
2. Lack of data does not prevent policymakers from assessing the potential impact of major changes to the tax system
3. The Ministry of Finance in Namibia is the nation's main tax collecting authority
4. Externalities (third parties effects) can never be positive
5. There are no gains from trade or reallocation when there is Pareto Efficient
6. Tax reforms are not effective in stabilizing the economy
7. Where income has been subject to tax twice – in Namibia and foreign jurisdiction
8. The burden of the tax equals the tax revenue plus the deadweight loss
9. Perverse incentives is the tendency for spenders to have incentive to use all the resources provided them; fearing that if they don't, they risk cuts in the next budget
10. Namibia has never experienced a budget deficit since independence

SECTION C**30 MARKS****QUESTION 1****[10 MARKS]**

Define the following terms;

1. Pareto Efficiency
2. Tax reform
3. Technical efficiency
4. Externality
5. Budget Deficit

QUESTION 2**[10 MARKS]**

- i. What is a national budget [2]
- ii. Budget cycle in Namibia has four phases, list and describe them in detail [8]

QUESTION 3

[10 MARKS]

The tax table below indicate the amount of tax paid by individuals in four different income categories:

	Income 10 000	%	Income 20 000	%	Income 40 000	%	Income 60 000	%
Tax A	1000	10	2000	10	4000	10	6000	10
Tax B	800	8	1400	7	2600	6.5	3600	6
Tax C	400	4	1200	6	3000	7.5	5600	9.3

- i. Calculate the percentage tax paid (A, B & C) in each of the four different income categories? [0.25x12=6 Marks]
- ii. Indicate the types of tax (tax A, B & C) employed in this scenario. [4]

SECTION D

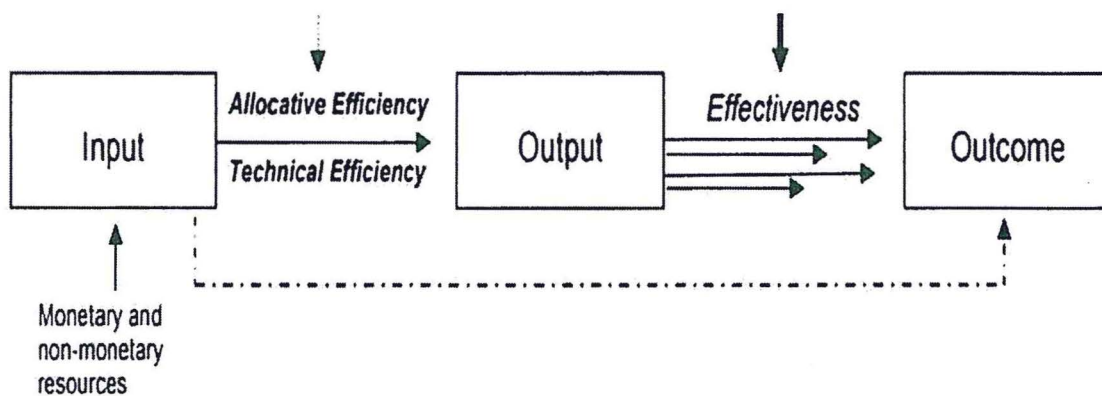
50 MARKS

QUESTION 1

[25 MARKS]

Using the figure below, elaborate (with appropriate examples) on the relationship of the following concepts to the National Budgeting Process.

- a) Input
- b) Output
- c) Outcome
- d) Efficiency
- e) Effectiveness



QUESTION 2:

[10 MARKS]

Taxes are sometimes referred to as direct tax or indirect tax, distinguish between Direct and indirect taxes (with appropriate examples).

QUESTION 3:

[15 MARKS]

Explain the Basic Elements of Effective Government Budgeting.