



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

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

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
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INSTRUCTIONS
<ol style="list-style-type: none">1. This paper consists of 5 sections A, B, C and D2. Answer ALL questions.3. Number your answers in accordance with the question paper.4. Start each section answer on a new page.5. Write clearly and legibly

PERMISSIBLE MATERIALS
<ol style="list-style-type: none">1. Pen, pencil, eraser2. Ruler3. Calculator

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

1. **The equity principle of tax developed by:** [2]
a) Adam Smith
b) Dalton
c) J B Say
d) Milton Friedman
2. **The incidence of tax refers to:** [2]
a) Growth of taxation
b) The way in which tax is collected
c) who pays the tax ultimately
d) None of the above
3. **Positive Economics is based on:** [2]
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. **Which tax cannot be shifted to others:** [2]
a) Income tax
b) Excise duty
c) Sales tax
d) Sin tax
5. **Market failure can occur when:** [2]
a) monopoly power exists in the market.
b) markets are missing.
c) consumers can influence prices.
d) all of the above.
6. **Public debt implies loans raised by a government:** [2]
a) within the country
b) outside the country
c) within and outside the country
d) from China and German
7. **Smoking tobacco creates a _____ externality:** [2]
a) positive consumption
b) negative consumption
c) negative production
d) positive production
8. **Progressive tax:** [2]

- a) is when a taxpayer pays 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 income in taxes, than richer individuals
- c) a tax in which the tax rate decreases as the taxable amount increases
- d) All of the above

9. Salaries and pensions paid by governments are called: [2]

- a) Development expenditure
- b) Recurrent expenditure
- c) None of these
- d) All of the above

10. Pareto points in the Edgeworth Box are: [2]

- 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.

SECTION B: TRUE OR FALSE

20 MARKS

1. A budget where there is excess of expenditure over revenue is called a surplus budget. [2]
2. Distortions in economic incentives and the resulting in inefficiencies and inequalities of resources can be address through Tax Reforms. [2]
3. Fiscal deficit in the national budget means the sum of budgetary deficit and net increase in internal and external borrowings. [2]
4. The distribution of the burden of paying a tax is called Incidence of a tax. [2]
5. If we fail to test our theories and their assumptions or continue to believe them when they fail the tests, they become ideology, not theory. [2]
6. When an additional unit of output is produced, the extra cost to society is the marginal social cost. [2]
7. The Namibian employer is obliged to withhold income tax and pay the amount to NAMRA on a monthly basis. [2]
8. Economically and politically powerful rich taxpayers often prevent fiscal reforms that would increase their tax burdens. [2]
9. The effect of transferring wealth from the richer sections of society to poorer sections using taxation is referred to as redistribution effects. [2]
10. Air pollution generated by a paper mill factory is an example of a negative production externality. [2]

SECTION C	30 MARKS
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QUESTION 1	[10 Marks]
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Define the following terms.

- a. Pareto Efficiency
- b. Tax reform
- c. Technical efficiency
- d. Externality
- e. Budget Deficit

QUESTION 2	[20 Marks]
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Budget cycle in Namibia has four phases, list and describe them in detail

SECTION D	30 MARKS
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QUESTION 1	[10 Marks]
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- i. Define tax incidence [2]
- ii. Explain the four important principles of tax incidence: [8]

QUESTION 2	[10 Marks]
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The government prepares the budget in order to fulfil certain national objectives. Mention and discuss 5 (five) objectives of a national budget.

QUESTION 3	[10 Marks]
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Based on the information provided in the table below answer the following Questions.

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 based on the table above. Calculate the total amount of tax paid by an individual earning N\$2 000 001 per annum. [5 Marks]
- b. Define effective tax rate and marginal tax rate. [5 Marks]