higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

PUBLIC FINANCE N6

14 NOVEMBER 2016

This marking guideline consists of 6 pages.

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QUESTION 1

1.1	1.1.1	True		
	1.1.2	True		
	1.1.3	False		
	1.1.4	True		
	1.1.5	False		
	1.1.6	False		
	1.1.7	True		
	1.1.8	True		
	1.1.9	False		
	1.1.10	True		
	1.1.11	False		
	1.1.12	False		
	1.1.13	True		
	1.1.14	True		
	1.1.15	True		
			(15 × 2)	(30)

1.2	1.2.1	F		
	1.2.2	E		
	1.2.3	A		
	1.2.4	B		
	1.2.5	I		
	1.2.6	C		
	1.2.7	J		
	1.2.8	H		
	1.2.9	G		
	1.1.10	D		
			(10 × 2)	(20)
				[50]

QUESTION 2

2.1 Pravin Gordhan (2)

2.2 President Jacob G Zuma (2)

2.3
- The budget is an excellent instrument for demanding and encouraging accountability.
- The budget may also be used as a reference when mismanagement is suspected or being investigated.
- When departments do overspend, the minister of finance has the right to take them to task by referring to the budget, and to demand an explanation for their overspending.

(6)

2.4
- Prior control
  This is prescribed control or control measures, which are based on prescriptions and a framework before any action takes place. These control measures also prescribe how the action should take place.
- Ex post facto control
  This control is exercised after the action has taken place and typical examples of this are financial and effectivity audits. Ex post facto control consists of the control of results as against predetermined objectives and aims, the evaluation of results for efficiency and effectiveness, and the accountability for such results to higher authority. (10)

2.5
- It is vital that parliament has supreme authority over both the executive and the administrative spheres of government.
- It means that these two lesser bodies must remain fully accountable to the elected representative in the legislative.
- The budget is an excellent instrument for demanding and encouraging accountability.
- The budget may also be used as a reference when mismanagement is suspected or being investigated.
- A budget is a reference that may be used in demanding accountability from all levels of government and from all officials within those departments. (10)

2.6 A budget is the policy document in which the elected representatives, by legislation, indicate to what extent they will execute the mandate of the voters, with the limited funds to their disposal. (10)

2.7
- Personnel – people and salaries
- Administrative – the cost of implementing the goals through administration and good governance
- Stores and equipment
- Land and buildings
- Professional and special services (10)

[50]

TOTAL SECTION A: 100

SECTION B

QUESTION 3

3.1
- It is enforceable.
- It reflects the political aspirations of the government of the day.
- It also obeys and takes into consideration sound economic principles.
- It attempts to relieve the tension between purely political considerations on the one hand and economic demands on the other.
- It reflects the fiscal policy of government.
- It clearly outlines a hierarchy of authority. (12)

3.2 Financial responsibility
- The institution which needs the finance, should be identified clearly.

Purpose of expenditure
- Every project or task will start with an objective.

Expenditure items
- Once the specific objectives have been detailed, specific goods and services should be mentioned in order to realise the objectives.

Source of financing
- The source of funding itself will be the budget vote, a fund or an account. (10)

3.3
- Income taxation
- Property taxation
- Consumption taxation
- User charges and consumer tariffs (8)

3.4
- Hunting and fishing licences
- Hospitalisation fees
- Professional services
- Motor vehicle licences
- Casino licences (10)

3.5
3.5.1 South African Revenue Services
3.5.2 Value-added tax
3.5.3 Pay as you earn
3.5.4 Unemployment Insurance Fund
3.5.5 Gross domestic product

(5 × 2) (10)
[50]

QUESTION 4

4.1
- Capital budgets and operations budgets are drafted separately.
- The expenditure and revenue are drafted together, as the impact of one on the other can then be seen clearly.
- There is only one main budget, no interim, supplementary adjustment appropriation budgets.
- A budget vote listing programmes and projects is drawn up for each service.
- No distinction is made between collective, particular and quasi-collective services. (10)

4.2
- Consumption taxation – VAT, excise duties, import tax
- Income taxation – personal, corporate, payroll, turnover tax
- Wealth taxation – property, capital gains, capital transfer and donations tax, transfer duty (10)

4.3
- Prepare
- Approve
- Execute
- Control (8)

4.4
- Estate duty
- Property tax
- Transfer tax
- Stamp duty/capital gains tax/profit (8)

4.5 Taxable income is defined by legislation as gross income, reduced by statutory exemptions and allowed deductions, in order to determine a taxable net income. (9)

4.6 Incentives
- The government of the day might decide to use fiscal policy to stimulate the economy and economic growth. It is possible to use special exemptions to promote economic development, and these exemptions may include exemptions to exporters, industries that take part in decentralisation activities, and training. (5)

[50]

QUESTION 5

5.1
- To announce publicly the plans of the various government departments
- To give a broad outline of the social needs of the country
- To give an indication of the financial state of government
- To announce new policies or goals and to explain increases in expenditure
- To announce tax proposals, changes in income, consumer tariffs, etcetera (10)

5.2
- Policy statement – The goals and objectives of government are stated.
- Redistribution of wealth – Values are taken away from one group to redistribute to another group.
- Economic regulatory function – to stabilise the economy and inflation
- Operating programme – It provides the basis for operational activities.
- Source of information – public documents, budget speech
- Co-ordination instrument – alignment of all government department activities
- Control instrument – prior control, ex post facto control, expenditure vs. planned expenditure (20)

5.3
- Source of revenue
- To discourage importation of goods
- To stop dumping (6)

5.4
- Income tax is the primary and most substantial source of revenue for government to provide goods and services to the community. (4)

5.5
1. To identify
   - The broad, overall policy and direction of the government of the day are identified.
2. To divide
   - This policy identifies projects and divides these projects into specific activities.
3. To schedule
   - The activities of each government department and ministry are scheduled in detailed sequence. (10)

[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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