higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

PUBLIC FINANCE N6

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This marking guideline consists of 5 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	B		
	1.1.2	C		
	1.1.3	A		
	1.1.4	D		
	1.1.5	D		
	1.1.6	D		
	1.1.7	A		
	1.1.8	B		
	1.1.9	C		
	1.1.10	A		
			(10 × 2)	(20)
1.2	1.2.1	True		
	1.2.2	True		
	1.2.3	True		
	1.2.4	True		
	1.2.5	True		
	1.2.6	True		
	1.2.7	True		
	1.2.8	True		
	1.2.9	True		
	1.2.10	False		
			(10 × 2)	(20)
1.3	1.3.1	indexing		
	1.3.2	corporate		
	1.3.3	goods and services tax		
	1.3.4	investment appraisal		
	1.3.5	redistribution of wealth		
	1.3.6	local		
	1.3.7	property rates		
	1.3.8	maximum		
	1.3.9	written		
	1.3.10	policy of the legislature		
			(10 × 2)	(20)
1.4	1.4.1	C		
	1.4.2	F		
	1.4.3	A		
	1.4.4	B		
	1.4.5	E		
	1.4.6	G		
	1.4.7	D		

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1.4.8 H
1.4.9 I
1.4.10 J

(10 × 2) (20)
[80]

TOTAL SECTION A: 80

SECTION B

QUESTION 2

2.1 2.1.1 Budget: It is a financial statement or plan✓ which contains the estimates of revenue and expenditure✓ over a certain period,✓ e.g. a year.✓

2.1.2 Audit: It is the examination of financial records✓ by various authorities✓ to make sure that all revenue and expenditure✓ has been properly and dutifully recorded and accounted for.✓

2.1.3 Budget execution: It is when the budget becomes an instrument to ensure that programmes are executed efficiently and effectively.✓✓ It is ensured that the needs of the citizens of the country are met✓ as outlined in the budget.✓

(4 × 3) (12)

2.2 *Priori control* is a prescribed control or control measures which are framed before any expenditure takes place,✓✓ whereas✓ *ex post facto control* is a control measure that takes place through audits after expenditure has taken place.✓✓ (5)

2.3
- Receiving instructions:✓ Individual government departments are given guidelines by Treasury.✓ The guidelines may e.g. include a maximum limit on expenditure to not more than a certain percentage increase over the previous year.✓Again overall policy direction and priorities are communicated to the various departments.✓
- Review of the draft budget:✓ The operational departments submit their draft budget✓ to a budget department for consolidation of the estimates of expenditure and motivation reports into one document. The budget department will then check to see whether the draft budget complies with departmental policy, the of the executive authority, and the overall policy of the legislature.✓✓
- Consideration of the draft budget:✓ The executive authority views and approves the budget as the last stage of the preparation phase.✓ The executive authority then determines whether the draft budget meets the policy directives or not.✓ This may be done by questioning whether specific goals and objectives were met as well as whether provisions to meet those goals were made.✓

(4 × 3) (12)

2.4
- Financial responsibility
- Purpose of expenditure
- Expenditure items
- Source of financing (2 × 4) (8)

2.5
- Auditor-General
- Accounting Officers
- Public Accounts committee (3)

[40]

QUESTION 3

3.1 3.1.1 Subjects of taxation: These are people or legal entities such as a company✓✓ responsible for paying the required tax. ✓✓

3.1.2 Objects of taxation: This is what is possessed by the subjects✓✓ – the income, wealth (property) and spending power (as with consumption tax).✓✓

3.1.3 Tax base: That portion of the income or wealth,✓✓ which is subject to taxation.✓✓

(4 × 3) (8)

3.2
- VAT (Value Added Tax):✓ This is a sales tax levied on each successive stage of trading.✓ It is tax imposed on the supply of goods and services rendered by any business in the process of conducting business.✓
- Import duty:✓ This type of tax may serve two important functions as it is a source of income,✓ as well as a way in which government discourages importation✓ of goods and prevents dumping.
- Excise duty:✓ This is often referred to as sin tax or luxury tax.✓ This tax is levied on commodities used as luxuries like tobacco, alcohol, jewellery, etc.✓✓ (12)

3.3 Tax deductions are the allowable subtractions from the net income of the taxpayer✓ before the tax base is calculated,✓ whereas✓ tax exemptions are when certain bodies such as non-profit making institutions do not pay tax✓ as long as they do not make profit.✓ (5)

3.4
- Property tax
- Estate duty
- Transfer duty
- Stamp duty
- Capital gains tax (Any 2 × 4 of the above) (8)

3.5 Economic regulatory function: This is when the government takes away more from people in order to cool down the economy.✓ This leaves the citizens with less to spend✓ and hence the economy is regulated, and inflation drops.✓

(3)

[40]

QUESTION 4

4.1 4.1.1 Revenue: This refers to the source of funds.✓✓It may be in the form of income tax, business tax and property rates.✓✓

4.1.2 Capital expenditure: This is money spent for the purpose of acquiring buildings, land, machinery, etc.✓ and includes general infrastructure.✓ This expenditure will last for a period longer than a year.✓✓

4.1.3 Operating or current expenditure: This is money budgeted and used for day-to-day expenses,✓ maintenance of infrastructure✓as well as payment of staff salaries. ✓✓

(4 × 3) (12)

4.2 Equitable financing is where present and future generation tax payers should share the burden of the capital projects✓ as they all have to contribute cash to fund the projects,✓ whereas✓ stabilising effect is an action taken to avoid fluctuations of the tax base and tax rate✓ by drafting a separate capital budget and financing capital projects from loans that lessens the tax burden on taxpayers year by year.✓ (5)

4.3
- Political considerations:✓✓ The community must be consulted and has to vote in favour or against the project✓ before such a project begins.✓
- Classification of items:✓ Sometimes it is difficult to classify items as capital assets or operating expenses.✓ Items that last for a year or more are classified as capital assets, whereas some items like a pen can be used for a year or more, but they are classified under operating expenses,✓ the purchasing price of the item determines its classification.✓
- Major issues:✓ Other major issues such as community needs, cost escalations, technological changes, etc.✓ must be considered✓ in the process of capital budgeting.✓
- Volatile domestic economies:✓ When capital projects are financed through loans from abroad, it can lead to drastic fluctuations in loan repayments✓ if the local currency weakens,✓ making repayments more expensive.✓

(4 × 4) (16)

4.4
- Donations from private individuals or organisations
- Loans/grant by other authorities
- Loans on the capital market (2 × 3) (6)

4.5
- Tax Fund
- Consumer tariffs
- Capital Reserve Funds
- Land Trust Funds (Any ONE) (1)

[40]

TOTAL SECTION B: 120
GRAND TOTAL: 200

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