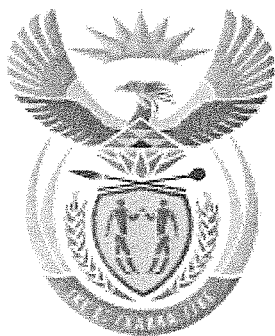


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higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

PUBLIC FINANCE N6

26 NOVEMBER 2014

This marking guideline consists of 6 pages.

QUESTION 1

1.1	1.1.1	True		
	1.1.2	False		
	1.1.3	False		
	1.1.4	True		
	1.1.5	True		
	1.1.6	False		
	1.1.7	False		
	1.1.8	False		
	1.1.9	True		
	1.1.10	True		
			(10 x 2)	(20)
1.2	1.2.1	F		
	1.2.2	C		
	1.2.3	I		
	1.2.4	B		
	1.2.5	A		
	1.2.6	G		
	1.2.7	J		
	1.2.8	D		
	1.2.9	H		
	1.2.10	E		
			(10 x 2)	(20)
				[40]

QUESTION 2

2.1	2.1.1	Tax generally applies to net income that the authorities allow deductions to be made.	(4)
	2.1.2	Certain bodies such as non-profitmaking institutions are exempted from tax; this means they do not pay any tax as long as they do not make a profit.	(4)
	2.1.3	The government of the day might decide to use fiscal policy to stimulate the economy and growth; it is possible that special exemptions are used to promote economic development – these might include: exemptions to exporters, industries which take part in decentralisation activities and training.	(10)
	2.1.4	Taxable income is defined by legislation, as gross income, reduced by statutory exemptions, and allowed deductions, to determine a taxable net income.	(10)

- 2.2
- To identify the broad overall policy and direction of the government of the day.
 - To divide this policy into projects and these projects into specific activities.
 - To schedule the activities of each department and ministry in detailed sequence. (12)
- 2.3
- Hunting and fishing licenses
 - Hospitalisation fees
 - Professional services
 - Motor vehicle licenses
 - Rates and tapes (10)
- 2.4
- Highest priority
 - Essential extensions
 - Desirable completion
 - Useful completion
 - Dispensable completion (10)
- [60]
- TOTAL SECTION A: 100**

QUESTION 3

- 3.1 Pravin Gordhan (2)
- 3.2
- The budget is used as control instrument.
 - The wishes of the legislature authority are followed.
 - The executive authority realises the goals of the legislature.
 - The executive authority has to make sure the administrative authorities have carried out their tasks according to specifications objectives and programmes detailed in the budget. (10)
- 3.3
- Political consideration – Politicians must know the needs and demands of the people
 - The purchasing of equipment, machinery or with the construction of a building where capital is needed.
 - Community needs, cost escalations, technological changes and advances, existing of similar projects, the need for prioritising according to seniority.
 - Volatile domestic economies could mean a drastic fluctuation in loan repayment (8)

- 3.4
- 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 satisfy the tension between purely political considerations on the one hand and economic demands
 - It reflects the fiscal policy of the government
 - It clearly outlines a hierarchy of authority
- (12)
- 3.5
- Estate duty
 - Property tax
 - Transfer tax
 - Stamp duty/Capital gains/ Profit tax
- (8)
- 3.6 Government budgeting:
A budget is the policy document by which the elected representative by legislation, indicate to what extent they will execute the mandate of the voters, with limited funds to their disposal.
- (10)
[50]

QUESTION 4

- 4.1
- 4.1.1
- Value added tax
 - Pay as you earn (income tax)
- (4)
- 4.1.2
- Income tax is the primary and most substantial source of revenue for governments with which to render goods and services to the community.
- (4)
- 4.1.3
- SARS
- (2)
- 4.1.4
- Yes
- A close corporation is seen as a private company and its members are seen as shareholders for tax purposes. It is taxed in the same way as any other company.
- (4)
- 4.1.5
- Income tax – tax calculated on net income after exemptions and deductions
 - VAT – tax payable on purchases such as items, goods, services
 - Company tax – tax businesses pay on net profit
- (6)
- 4.2
- Capital budgets and operational budgets are drafted
 - The expenditure and revenue budgets are drafted together – the impact of one on the other can then be clearly seen
 - A budget vote-listing programmes and projects are drawn up for each service
- (6)

- 4.3
- Policy statement – goals and objectives of government are stated
 - Redistribution of wealth – wealth moved from one group to another group
 - Economic regulation – stabilises the economy and inflation
 - Operating programme – basis for operational actions
 - Source of information – public document, budget speech
 - Co-ordination instrument – alignment of the departmental activities
 - Control instrument – prior control, ex post facto, expenditure vs. planned expenditure
- (14)
- 4.4
- It is vital that parliament has supreme authority over both the executive and administrative sides of government.
 - This means these two lesser bodies must remain fully accountable to the elected representative in the legislative.
 - The budget is an excellent instrument for demanding and encourage accountability.
 - The budget may also be used as a reference when mismanagement is suspected of being investigated.
 - A budget is a reference which may be used in demanding and executing accountability from all levels of government and from all officials within those departments.
- (10)
[50]

QUESTION 5

- 5.1 A budget is simply a financial statement containing estimates of income and expenditure within a certain time. (6)
- Revenue budget (2)
 - Expenditure budget (2)
- 5.2
- Accounting audits – Control correct recording of finances, accuracy of statements and safeguarding of records.
 - Appropriation audits – Utilisation of budget allocation in accordance to purpose for which it is allocated.
 - Performance audits – Efficiency, effectiveness and economic performances of duties – Value for money (10)
- 5.3
- Personnel – people and salaries
 - Administrative – the cost of implementing the goals through administration and good governance
 - Stores and equipment
 - Land and equipment
 - Professional and special services (10)
- 5.4
- Prior control:
This is prescribed control, or control measures, which are based on prescriptions and framework before any action takes place. Action to be taken is also prescribed. (8)
 - Ex post facto control:
This is exercised after the act has taken place and typical examples of this are financial and effectivity audits. Ex post facto control consists of the control of results measured against predetermined objectives and aims, also the evaluation of results for efficiency and effectiveness and aims, also the evaluation of results for efficiency and effectiveness, and accountability for such results to higher authority. (12)
- [50]**
- TOTAL SECTION B: 100**
GRAND TOTAL: 200