higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

PUBLIC FINANCE N5

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This marking guideline consists of 8 pages.

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SECTION A

QUESTION 1

1.1 1.1.1 The government does not intervene in the private economy/social activities of individual citizens or group.

1.1.2 An act of parliament regulates the acquisition of goods or services through a tender board.

1.1.3 It is where the elected representative makes decisions on behalf of the voter (has a mandate from the voter).

1.1.4 It is the withdrawal of criminals from society for protection and rehabilitation.

1.1.5 The ultimate authority to allocate (distribute or give out) funds, must rest with the legislature and not with public officials who might be members of the administrative or executive authority.

1.1.6 Each government on all levels (central and local) has a department of finance which provides funds to officers, such as accountants, who render financial services to the line function departments.

1.1.7 It comprises the elected representatives of the people.

1.1.8 It is aimed at the development of the economic and material prosperity of the individual.

1.1.9 The power to govern lies directly in the hands of the people rather than being exercised through their representatives.

1.1.10 He/She is there to protect the ordinary citizen to make sure that the legislative and executive authorities do not exert power over the voter unfairly.

(10 × 2) (20)

1.2 1.2.1 True
1.2.2 False
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 True
1.2.11 True
1.2.12 False
1.2.13 True
1.2.14 True
1.2.15 False

(15 × 2) (30)
[50]

TOTAL SECTION A: 50

SECTION B

QUESTION 2

2.1
- Communicate with the legislature and prepare reports on matters which have to be submitted to the legislature for decision making.
- Communicate with the administrative authority which must execute financial legislation and the approved budget in order to render the services by which the objectives of the legislature may be attained.
- Communicate with interest groups to determine the needs, wishes, expectations and problems of the community and formulate feasible policies in this regard for approval by the legislature.
- Exercise control over the activities of the administrative authority. (4 × 2) (8)

2.2
- Revenue is shared between the various government levels within one state – i.e. central, provincial or regional and local.
- Tax may be imposed at one level and spent on another level.
- It takes place to lessen externalities and inequalities.
- Financial grants given by the central government to regional and local government are an effort to reduce vertical inequalities.
- Good intergovernmental relations are essential here. (Any 5 × 2) (10)

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2.3
- No tax or other charges can be collected from taxpayers without their consent and the tax burden must be distributed in a reasonable and fair way.
- Utilisation of public financial resources must satisfy the collective needs optimally. Optimum application of resources is when spending money on one project means that the resources (funds) are spent more effectively than when spent on another project.
- Participatory democracy means direct participation by the taxpayers, consumers (users) of the public sector in the financial decision-making process.
- Public financial decision making should be fair. Financial resources must be applied effectively and efficiently to satisfy collective needs of the public. This means that people expect a reasonable allocation of resources.
- Only the collective body of elected political representatives has the authority to introduce taxes, to collect taxes and to decide how and on what it would be spent.
- Responsibility and accountability of the elected political representatives are owed to the taxpayers for the collection and spending of taxes and other income.
- Political representatives must be sensitive and responsive to the collective needs of the community. The voter should feel that the representative has listened to their needs and that he/she has taken responsibility to address these needs.
- The execution of budget programmes should satisfy the needs of the public, the executive authority should take responsibility to use public funds efficiently and effectively.
- Social equity or justice, by maintaining high moral and ethical standard, requires political representatives and public official to act with integrity.
- All activities regarding public financial management must take place in public and not under the cover of confidentiality. Officials must remain accountable to the taxpayers at all costs. (10 × 2) (20)

2.4
- Familiarise itself with all financial and fiscal (tax) information on central, provincial and local level of government.
- Render advice and make recommendations to relevant legislature authorities which include advice on:
  - Financial and fiscal policies
  - Taxes and levies that provincial governments intend to levy
  - Raising of loans by provincial or local government
  - Setting the criteria for allocation of financial/fiscal resources (5 × 2) (10)

2.5
- Ideal criterion
- Average criterion (2)

[50]

QUESTION 3

3.1
- Apportionable✓✓– There is a price per unit as with refuse collection, waste supply and selling plants from the municipal nursery.✓✓
- Exclusive✓✓– Nonpayers cannot use these services (e.g. refuse is collected only if a person pays for the collection thereof).✓✓
- Exhaustible✓✓ – Must be replenished (make full, topped up, resupplied) continuously.✓✓
- Direct return✓✓ – The taxpayer receives value for each unit paid.✓✓
- No monopolies✓✓ – Some of these services operate on the open market.✓✓ (5 × 4) (20)

3.2
- Takes a leading role in the preparation of the budget.
- Presents the draft budget to the council for consideration.
- Delivers the budget speech and explains the important aspects of the budget itself.
- Makes recommendations on the tax rate, consumer tariffs, user charges and levies.
- Takes charge of supervising and controlling the execution of the budget once it has been approved.
- Reports to the council on any deviation of expenditure and makes recommendations about such deviations.
- Takes the lead in the collection, safekeeping and spending of all revenue.
- Ensures that surplus funds are invested in the most judicious way and takes part in negotiations for large contracts.
- Reports any financial irregularities by any official, council member or committee. (9 × 2) (18)

3.3
- Per capita income of a community
- The revenue potential of an ideal tax system
- Representative revenue system (3 × 2) (6)

3.4
- The legislature
- The executive authority
- The administrative authority (3 × 2) (6)

[50]

QUESTION 4

4.1 4.1.1

- Issued by higher authorities to lessen the effect of financial inequalities between communities that differ greatly in financial prosperity and capacity.
- The primary objective of grants is to ensure that each government authority has sufficient financial means to supply a minimum level of public services without imposing a further tax burden on that specific community.
- The purpose is not to create absolute equality but rather to encourage each government authority to supply minimum basic services compared to those of other authorities at the same level. (3 × 2) (6)

4.1.2 Unconditional grants✓

- This means that funds are allocated without any condition attached.✓✓
- The higher authority will allocate money and not expect the lower authority to explain how funds are being spent.✓✓

Conditional grants✓

- These are given with specific condition attached as to the spending of the money.✓✓
- The conditions may be in the form of broad guidelines or specific prescriptions.✓✓

There are two types of conditional grants:

- Variable (changing) or unlimited conditional grants✓
- Fixed or limited conditional grants.✓

Project grants✓

- These are made for the funding of specific capital projects such as housing, the construction of dams and roads, water supply, etc.✓✓
- They are given on an ad hoc basis and only once.✓✓

(Any 16 × 1) (16)

4.2

- Denationalisation
- Deregulation
- Depoliticisation
- Contracting out (Any 3 × 2) (6)

4.3

- Coordinating the financial policy✓

It must ensure a balance of expenditure. There should not be too much spent on one programme in comparison with what is spent on an equally important programme.✓✓

- Granting of permission beforehand✓

If a department plans any changes to a programme the treasury must be informed so that it can study the financial implication. It should be consulted in the early stage of planning so that it may study the financial implication relative to other programmes proposed by other departments and then advise the executive authority accordingly.✓

- Evaluation of new policies and legislation✓

It must advise the legislature on the financial implication of new policies and laws. The minister of finance is under obligation to make sure the treasury is given enough opportunity to study and investigate the financial implications of new legislation and policy and then to advise the executive authority of its findings.✓✓

- Reviewing the budget✓

The treasury should determine whether all government departments have properly motivated budget proposals and also check if the proposed expenditure is in agreement with the existing financial policy of the government.✓✓

- Guardian of public money✓

The treasury acts as watchdog. It controls the withdrawal of funds by all government departments, protects the taxpayers' interests by preventing the wastage of money and ensuring that monthly requisitions by accounting officers are correct.✓✓

- Control of purchase and purchasing procedure✓

The treasury controls this through a state tender board – all the buying of stock, equipment, etc. which includes the renting of property for occupation by officials and staff members.✓✓

- Control of stock and stores✓

The control of stock in warehouses and stores, i.e. vital because large amounts of stock representing vast amounts of money are invested there.✓✓

- Dispensation function✓

The treasury has authority to grant dispensation which is given to it by the legislature.✓✓ (Any 6 × 3) (18)

4.4
- Maintenance of law and order (protection services)
- Enforce contracts by law in courts (legal protection)
- Protection of private lives
- Protection of private property (legal/social protection)
- Defence of national community against any enemy (protection services)

(Any 4 × 1) (4)
[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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