higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

PUBLIC FINANCE N6

1 JUNE 2018

This marking guideline consists of 6 pages.

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SECTION A

Answer ALL the questions in SECTION A.

QUESTION 1

1.1	1.1.1	A		
	1.1.2	B		
	1.1.3	C		
	1.1.4	B		
	1.1.5	A		
	1.1.6	B		
	1.1.7	C		
	1.1.8	C		
	1.1.9	D		
	1.1.10	B		
			(10 × 2)	(20)
1.2	1.2.1	False		
	1.2.2	False		
	1.2.3	True		
	1.2.4	False		
	1.2.5	True		
	1.2.6	False		
	1.2.7	False		
	1.2.8	False		
	1.2.9	True		
	1.2.10	True		
			(10 × 2)	(20)
1.3	1.3.1	Income		
	1.3.2	Income		
	1.3.3	Excise		
	1.3.4	Customs		
	1.3.5	Budgeting/budget		
	1.3.6	Monetary		
	1.3.7	Flexible		
	1.3.8	Expenditure		
	1.3.9	Property		
	1.3.10	Capital		
			(10 × 2)	(20)
1.4	1.4.1	Revenue		
	1.4.2	Public spending		
	1.4.3	Assessed value		
	1.4.4	Income tax		
	1.4.5	Income and expenditure		
	1.4.6	Expenditure		
	1.4.7	Income		
	1.4.8	Payback period		
	1.4.9	Difference		
	1.4.10	Minister of Finance		
			(10 × 2)	(20)

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1.5 1.5.1 F
1.5.2 C
1.5.3 I
1.5.4 B
1.5.5 A
1.5.6 G
1.5.7 H
1.5.8 D
1.5.9 J
1.5.10 E

(10 × 2) (20)
[100]

TOTAL SECTION A: 100

SECTION B

Answer any TWO of the three questions in SECTION B.

QUESTION 2

2.1 To raise revenue to meet huge public expenditure. (2)

2.2
- Adequacy
- Broad-basing
- Compatibility
- Convenience
- Earmarking
- Efficiency
- Equity
- Neutrality
- Predictability
- Restricted exemption (Any 5 × 2) (10)

2.3 2.3.1 Wealth redistribution: The transfer of income of wealth including physical property✓ from some individuals to others.✓ (2)

2.3.2
- Taxation✓ – Higher tax is levied from those who have a higher income.✓
- Charity✓ – Organisations are set up by those with a high income to help to raise money for those in need.✓
- Public services✓ – The government can provide certain services to people living within its jurisdiction.✓
- Land reform✓ – The government can pass laws that allow agricultural land to be reallocated to landless people.✓
- Monetary policy✓ – The reserve bank can control the supply of money to stabilise prices through managing inflation and interest rates.✓ (5 × 2) (10)

2.4 2.4.1 Tax deductions: Money removed✓ from taxable income✓ resulting in lowering✓ the taxpayer's overall tax liability.✓

2.4.2 Exemptions: Lawful deductions✓ to reduce the amount of income✓ that would otherwise be taxed.✓✓

2.4.3 Incentives: The use of fiscal policy by the government✓ to stimulate economic growth,✓✓ by e.g. export promotions, offering free training to small and emerging businesses.✓

(3 × 4) (12)

2.5
- Calculate the expenses.
- Determine your income.
- Set savings and debt payoff goals.
- Record spending and track progress.
- Be realistic. (5 × 2) (10)

2.6 Activities schedule: A plan✓ that gives a list of events or tasks✓ and times at which each one should happen or be done.✓✓ (4)

[50]

QUESTION 3

3.1
- Income tax:✓ It is tax paid by anyone who earns an income✓✓ by any means that is above a certain amount,✓ e.g. personal tax (PAYE).✓
- Property tax:✓ This tax is paid by anyone who owns property✓✓ such as land, cars, etc.,✓ e.g. a car licence.✓
- Consumption tax:✓ This is paid on the sale of all goods that are to be used by an individual,✓✓✓ e.g. VAT (value added tax) paid when buying clothes.✓ (3 × 5) (15)

3.2
- Operating budget
- Capital budget (2)

3.3
- Highest priority
- Essential extensions
- Desirable extensions
- Useful extensions
- Dispensable extensions (5 × 2) (10)

3.4
- Property rates:✓ These are taxes/rates charged by the local municipality to all people or businesses who own fixed property (land, houses, shops, etc.) in there municipal area.✓✓
- Service charges:✓ These are payments made by consumers directly for specific services charged to a house or business at a particular tariff e.g. water, electricity, etc.✓✓
- Fines:✓ These are payments made to the local municipality for minor law transgressions e.g. traffic fines, penalties on overdue accounts, etc.✓✓

(3 × 3) (9)

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3.5 3.5.1 It is a planning process used to determine whether the government/organisation's long term investments are worth funding of cash through its capitalisation structure. (2)

3.5.2
- Payback period:✓ This is a capital budget decision-making tool that determines how long✓ it will take to pay back✓ the initial capital investment that is required to fund a project.✓
- Net present value:✓ This is a capital budget decision tool that calculates the difference✓ between the project cost cash outflow✓ and cash inflow generated by that project.✓
- Internal rate of return:✓ This is a capital budget decision tool that determines how much✓ return an investor can expect from a particular project.✓✓ (3 × 4) (12)

[50]

QUESTION 4

4.1
- Accounting audits:✓✓ This refers to the correct recording of finances, accuracy of statements and safeguarding of records.✓✓✓
- Appropriation audits:✓✓ This refers to the utilisation of the budget allocation in accordance to the purpose which it was voted for.✓✓✓
- Performance audits:✓✓ This refers to the efficiency, effectiveness and economic performance of duties (value for money).✓✓✓ (3 × 5) (15)

4.2
- For economic development
- To achieve full employment
- To achieve price stability
- For control of cyclical fluctuations
- To reduce difficulties in balance of payments
- Reduction of inequalities in income and wealth

(Any 5 × 2) (10)

4.3
- To let people know what the government is spending money on
- To let the people know how this money is benefiting them (2 × 2) (4)

4.4
- Reallocation of resources:✓ Government uses its budgetary policies to reallocate resources through tax concessions, subsidies, etc.✓✓
- Reducing inequalities in wealth:✓ Government uses its budgetary policy to reduce inequality by imposing high taxes on the rich and spending more on the welfare of the poor.✓✓
- Economic stability:✓ Government budget is used to achieve economic stability by preventing business fluctuations of inflation or deflation.✓✓
- Management of public enterprises:✓ Government uses its budgetary policies to manage public enterprises for social welfare of the public.✓✓
- Economic growth:✓ The budgetary policy aims to mobilise sufficient resources for investment in the public sector.✓✓
- Reduce regional disparities:✓ The government budget also aims to encourage the setting up of production units in regions that stayed behind economically.✓✓ (Any 5 × 3) (15)

4.5
- Preparation
- Approval
- Execution
- Control (4)

4.6
- It is the transfer of funds within one department from one vote/source of funds to another.
- It is the transfer of funds from one department to another. (Any 1 × 2) (2)

[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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