higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

PUBLIC FINANCE N6

12 NOVEMBER 2018

This marking guideline consists of 5 pages.

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SECTION A (COMPULSORY)

QUESTION 1

1.1	1.1.1	D		
	1.1.2	D		
	1.1.3	A		
	1.1.4	D		
	1.1.5	A		
	1.1.6	D		
	1.1.7	B		
	1.1.8	B		
	1.1.9	C		
	1.1.10	B		
			(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	False		
	1.2.8	True		
	1.2.9	False		
	1.2.10	True		
			(10 × 2)	(20)
1.3	1.3.1	Audit		
	1.3.2	inputs		
	1.3.3	rates; taxes		
	1.3.4	interim		
	1.3.5	budget		
	1.3.6	exemptions		
	1.3.7	bracket creeping		
	1.3.8	ad valorem		
	1.3.9	vendor		
	1.3.10	budget		
			(10 × 2)	(20)
1.4	1.4.1	main		
	1.4.2	Deductions		
	1.4.3	immeasurable		
	1.4.4	Provincial		
	1.4.5	Personal		
	1.4.6	Import		
	1.4.7	VAT		
	1.4.8	Real		
	1.4.9	Payroll		
	1.4.10	financial		
			(10 × 2)	(20)

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1.5

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

(10 × 2) (20)
[100]

TOTAL SECTION A: 100

SECTION B

QUESTION 6

6.1
- Revenue – source of funds
- Expenditure – spending of funds
- Capital expenditure – spending on infrastructure
- Operational/Current expenditure – funds needed to run a department
- Policy directives – at all times any budget should reflect the overall policy of the government
- Budget year – fiscal year of the public service (6 × 2) (12)

6.2 Commitments were made in a previous financial year.✓✓ These commitments were not realised or completed,✓✓ e.g. a batch of computers were ordered but never delivered✓✓ and therefore not paid.✓✓ The money is rolled-over to the following year.✓✓ (5 × 2) (10)

6.3 Tax base is that portion of the income or wealth subject to taxation, while tax rate is the portion of the taxable amount (the tariff of taxation). In the case of personal income it increases the more one earns. (4 + 4) (8)

6.4
- Equitable financing occurs when revenue comes from cash in the form of taxes from present taxpayers.✓✓✓ Future generations enjoy the benefit and the burden on present taxpayers might be very heavy – capital projects often cost a great deal of money.✓
- Stabilising effect: Financing these projects from loans, spread over many years, means that the burden on taxpayers year by year is lessened.✓✓✓
- Greater control: A separate capital budget means that the focus on a project is greater.✓✓✓ (10)

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6.5
- Hunting and fishing licenses
- Hospitalisation fees
- Professional services
- Motor-vehicle licenses
- Casino licences (5 × 2) (10)

[50]

QUESTION 7

7.1
- The plans of the various departments are announced publicly.
- They announce how they intend to meet public need and demand for various services.
- Individual taxpayers are interested to know how much more or less tax they will pay each month.
- The minister of finance will give a broad outline on social and political goals.
- He/She will give an indication of the financial state of the government with reference to public debt.
- He/She will then announce new policies and goals and explain increases in expenditure. (Any 5 × 2) (10)

7.2
- Tax funds
- Consumer tariffs
- Capital reserve fund
- Land trust fund (4 × 2) (8)

7.3
- It is enforceable.
- It reflects the political aspirations of the government of the day.
- It also obeys and considers sound economic principles.
- It attempts to satisfy the tension between purely political considerations.
- It reflects the fiscal policy of the government.
- It clearly outlines a hierarchy of authority. (6 × 2) (12)

7.4
- It is a transfer of wealth and income from some individuals to others by means of social mechanisms.✓✓
- It can be in the form of taxation, charity etc.,✓✓ where the more people earn the higher the rate of taxation.✓✓
- In South Africa it is an achievable reality although not to the full. This takes the form of social grants, old-age pensions, etc.,✓✓ however, the country still faces a big challenge because it is still faced with few extremely rich individuals and a lot of extremely poor people.✓✓ (10)

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7.5
- The dumping principle occurs when an industry within a country is subsidised.
- This means the industry is able to export its products for less than another country is able to manufacture it.
- The local industry of the recipient country suffers.
- The government might then decide to impose a tax to protect the local industry.
- This tax is called import duty. (5 × 2) (10)

[50]

QUESTION 8

8.1
- Economic
- Social
- Political (3 × 2) (6)

8.2
- Sundry revenue does not fit into the category of levies or charges.
- An example might be library membership fees and fines for not returning books.
- A large source of income, especially for local government, is fines – especially traffic fines.
- Another example is rent for use of government-owned properties such as sporting facilities. (4 × 2) (8)

8.3 Subjects of taxation are people or legal entities such as a company responsible for paying the required tax, while objects of taxation are those things possessed by the subject, like income, wealth (property) and spending power (as with consumption tax). (4 + 4) (8)

8.4
- Financial responsibility
- Purpose of expenditure
- Expenditure items
- Source of financing (4 × 2) (8)

8.5 8.5.1 An audit is the main tool of control.✓✓ This is the examination of financial records by various authorities to make sure all revenue and expenditure has been properly and dutifully recorded an accounted.✓✓✓ (5)

8.5.2
- Accounting audits✓✓ – Correct recording of finances, accuracy of statements and safeguarding of records✓✓✓✓
- Appropriation audits✓✓ – Utilisation of budget allocation in accordance to the purpose for which it is voted✓✓✓
- Performance audits✓✓ – Efficiency, effectiveness and economic performance of duties – value for money✓✓✓ (3 × 5) (15)

[50]

TOTAL SECTION B: 100
GRAND TOTAL: 200

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