

TRANSACTION - FINANCE LEASES

The Provincial Department of Roads and Public Works in the Eastern Cape has entered into a contract for leasing road construction equipment from MAN LTD. for a period of three years. After the three year period the department will take full ownership and control of all the assets leased. The department has evaluated all the criteria of the agreement and is confident that it should be a finance lease. Budget for this expenditure is carried against programme 3, Roads and subprogramme 4, Construction. The total contract cost for the MTEF amounts to R 30 mil starting from 2010/11. All funds are appropriated against voted funds.

A. THE ECONOMIC REPORTING FORMAT (ERF)/BUDGET FORMAT PRESENTATION

Table 1.4 Roads Subprogramme		Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
R million	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Construction	1.6	1.8	2.0	2.1	5.0	10.0	15.0	
Total	1.6	1.8	2.0	2.1	5.0	10.0	15.0	

Economic classification		Audited outcome			Adjusted appropriation	Medium-term expenditure estimates		
For interest portion on finance lease	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Current payments	0.4	0.3	0.2	0.1	1.5	1.0	0.5	
Interest and rent on land	0.4	0.3	0.2	0.1	1.5	1.0	0.5	
Payments for capital assets	1.2	1.5	1.8	2.0	3.5	9	14.5	
Machinery and equipment	1.2	1.5	1.8	2.0	3.5	9.0	14.5	
Total	1.6	1.8	2.0	2.1	5.0	10.0	15.0	

B. PRESENTATION AND CLASSIFICATION IN THE SEGMENTS OF THE STANDARD CHART OF ACCOUNTS (SCOA)

Project	Objective	Fund	Item	Asset	Responsibility	Region
Interest portion						
Stand alone (No proj) BAS 2 (NP)	Payments BAS 1 (NP)	Expen voted BAS 1 (NP)	Payments BAS 1 (NP)	Leased assets BAS 502 (NP)	Departmental	Regional identifier BAS 2 (NP)
No proj s/alone cur BAS 16 (P)	Pro pay BAS 8 (NP)	Dept appropr BAS 148 (NP)	Payments BAS 308 (NP)	Other mach&equip BAS 506 (NP)	Specific	Region Province BAS 3 (NP)
	EC Prov pay BAS 914 (NP)	Voted funds discret BAS 152 (NP)	Int & rent on land BAS 366 (NP)	Dept create post lev (P)		Eastern Cape BAS 42 (NP)
	EC Dept Roads&Pub Work BAS 3252 (NP)	Voted funds BAS 559 (P)	Interest BAS 370 (NP)			EC: Whole of Province BAS 34 (NP)
	EWK: Roads BAS 5415 (NP)		Int paid:Fin leases BAS 2872 (P)			Dept create post lev (P)
	EWK: Construct BAS 5419 (NP)					
	Dept create post lev (P)					
Capital portion						
Stand alone (No proj) BAS 2 (NP)	Payments BAS 1 (NP)	Expen voted BAS 1 (NP)	Payments BAS 1 (NP)	Leased assets BAS 502 (NP)	Departmental	Regional identifier BAS 2 (NP)
No proj s/alone cap BAS 17 (P)	Pro pay BAS 8 (NP)	Dept appropr BAS 148 (NP)	Payments BAS 308 (NP)	Other mach&equip BAS 506 (NP)	Specific	Region Province BAS 3 (NP)
	EC Prov pay BAS 914 (NP)	Voted funds discret BAS 152 (NP)	Goods & serv BAS 365 (NP)	Dept create post lev (P)		Eastern Cape BAS 42 (NP)
	EC Dept Roads&Pub Work BAS 3252 (NP)	Voted funds BAS 559 (P)	Lease pay BAS 384 (NP)			EC: Whole of Province BAS 34 (NP)
	EWK: Roads BAS 5415 (NP)		Finance leases BAS 2990 (P)			Dept create post lev (P)
	EWK: Construct BAS 5419 (NP)					
	Dept create post lev (P)					

NP - Non posting level, P - Posting level. Always consult the latest SCOA master for updated BAS codes and descriptions at <http://scoa.treasury.gov.za> or via the Treasury website at www.treasury.gov.za

C. PRESENTATION IN THE ANNUAL FINANCIAL STATEMENTS

C.1 APPROPRIATION STATEMENT
DEPARTMENT OF ROADS AND PUBLIC WORKS EASTERN CAPE
Appropriation statement
for the year ended 31 March 2011

	2010/11							2009/10	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual Expenditure
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
3. ROADS									
Current payment	1,500	-	-	1,500	1,500	-	100%	100	100
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	3,500	-	-	3,500	3,500	-	100%	2,000	2,000
Payment for financial assets	-	-	-	-	-	-	-	-	-
Subtotal	5,000	-	-	5,000	5,000	-	100%	2,100	2,100
Direct charge against Revenue Fund									
Current payment	-	-	-	-	-	-	-	-	-
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	-	-	-	-	-	-	-	-	-
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	5,000	-	-	5,000	5,000	-	100%	2,100	2,100

	2010/11							2009/10	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual Expenditure
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Current payments									
Compensation of employees	-	-	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-	-	-
Interest and rent on land	1,500	-	-	1,500	1,500	-	100%	100	100
Payment for capital asset									
Machinery and equipment	3,500	-	-	3,500	3,500	-	100%	2,000	2,000
Total	5,000	-	-	5,000	5,000	-	100%	2,100	2,100

Detail per programme 3 - ROADS

	2010/11							2009/10	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual Expenditure
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
3.4 CONSTRUCTION									
Current payment	1,500	-	-	1,500	1,500	-	100%	100	100
Transfers and subsidies	-	-	-	-	-	-	-	-	-
Payment for capital assets	3,500	-	-	3,500	3,500	-	100%	2,000	2,000
Payment for financial assets	-	-	-	-	-	-	-	-	-
Total	5,000	-	-	5,000	5,000	-	100%	2,100	2,100

Detail per economic classification Programme 3 - ROADS

	2010/11							2009/10	
	Adjusted appropriation	Shifting of funds	Virement	Final appropriation	Actual expenditure	Variance	Expenditure as % of final appropriation	Final appropriation	Actual Expenditure
	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000	R' 000
Current payments									
Compensation of employees	-	-	-	-	-	-	-	-	-
Goods and services	-	-	-	-	-	-	-	-	-
Interest and rent on land	1,500	-	-	1,500	1,500	-	100%	100	100
Payment for capital asset									
Machinery and equipment	3,500	-	-	3,500	3,500	-	100%	2,000	2,000
Total	5,000	-	-	5,000	5,000	-	100%	2,100	2,100

D. BASIC ACCOUNTING SYSTEM (BAS) TRIAL BALANCE (EXTRACTION FOR ILLUSTRATION PURPOSES)

MAINTENANCE
RP0065BS

BAS
PROV: TRANSPORT AND PUBLIC WORKS EASTERN CAPE
TRIAL BALANCE
AS AT 31/03/2011
REPORT INTRODUCTORY PAGE

DATE: 15/04/2011
TIME: 06:14:30
PAGE: 1

INSTALLATION ID : PROV: TRANSPORT AND PUBLIC WORKS EASTERN CAPE
LOCATION ID : PROV: TRANSPORT AND PUBLIC WORKS EASTERN CAPE
USERID : MAINTENANCE
REPORT REQUEST ID : 00047408
SORT CRITERIA : R M F O P A I

SELECTION CRITERIA :
1. LAST CLOSED MONTH : 03/2011
2. ITEM : I
3. OBJECTIVE : O
4. RESPONSIBILITY : R
5. FUND : F
6. PROJECT : P
7. ASSETS : A
8. REGIONAL IDENTIFIER : M

SELECTION CRITERIA : TYPE
RESPONSIBILITY : ALL
REGIONAL IDENTIFIER : ALL
FUND : ALL
OBJECTIVE : ALL
PROJECT : ALL
ASSETS : ALL
ITEM : ALL

SORT CRITERIA : R M F O P A I

TOTALS : F0002 I0003 I0006 I0011

PAGE BREAK : NONE

LAST CLOSED MONTH : 03/2011

I 003	GOODS AND SERVICES		
I 005	FINANCE LEASES		
TOTAL	I 003	GOODS AND SERVICES	3,500,000.00
	I 003	INTEREST AND RENT ON LAND	3,500,000.00
	I 005	INT PAID: FINANCE LEASES	1,500,000.00
TOTAL	I 003	INTEREST AND RENT ON LAND	1,500,000.00

**** END OF REPORT RP065BS ****

WHAT ABOUT THE ASSET REGISTER? CONSULT THE RELEVANT GUIDELINES FOR RECORDING ASSETS

Please note the presentation of the capital portion in the trial balance, it is only presented at item level. Draw report as a combination of Project, Asset and Item to get the ECONOMIC CLASSIFICATION

DON'T FORGET! FOR GETTING THE ECONOMIC CLASSIFICATION, THE DEPARTMENT NEED TO DRAW AND COMBINE THEIR REPORT BASED ON THE PROJECT, ASSET AND ITEM SEGMENT TOGETHER. THE TRIAL BALANCE IS ONLY BASED ON ITEM.

C.2 STATEMENT OF FINANCIAL PERFORMANCE

DEPARTMENT OF ROADS AND PUBLIC WORKS EASTERN CAPE
Statement of Financial Performance
for the year ended 31 March 2011

	Note	2010/11 R' 000	2009/10 R' 000
REVENUE			
TOTAL REVENUE			
EXPENDITURE			
Current expenditure		1,500	100
Compensation of employees			
Interest and rent on land		1,500	100
Transfers and subsidies			
Expenditure on capital assets		3,500	2,000
Tangible capital assets		3,500	2,000
Payments for financial assets			
TOTAL EXPENDITURE		5,000	2,100
SURPLUS/(DEFICIT) FOR THE YEAR			

Extraction for illustration purposes
Include notes as required per AFS guideline

DON'T FORGET! Always consult relevant legislation, guidelines and policies for budgeting, classification and accounting of FINANCE LEASES. i.e.

- Public Finance Management Act
- Treasury Regulations
- National Treasury Budget Guidelines
- Reference Guide to the Economic Reporting Format (ERF)/(Blue Book September 2009)
- GRAP 13 - Leases
- Guideline for the Preparation of Annual Financial Statements
- Asset Management Framework
- Classification Circulars and or Instruction Notes

