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higher education & training

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REPUBLIC OF SOUTH AFRICA

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NATIONAL CERTIFICATE

PUBLIC FINANCE N5

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This question paper consists of 6 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
PUBLIC FINANCE N5
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each question on a NEW page.
5. Write neatly and legibly.

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QUESTION 1

Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.1–1.10) in the ANSWER BOOK.

1.1 Increased pressure on the state to provide for more collective needs results in more taxes to be paid.

1.2 The national budget focuses on state revenue only.

1.3 Technology refers to new ways of producing products that businesses can sell or services that they can provide.

1.4 South Africa's financial policy should be determined after the political, social and economic policies of the central government with reference to the whole nation, have been carefully considered.

1.5 The central bank of the government is the national treasury.

1.6 Provincial authorities may impose income tax, VAT and customs duty.

1.7 Urbanisation is one criterion to determine the needs of a community.

1.8 When a decision made by the government to provide a collective service, results in benefits for the community at large, we have negative externalities.

1.9 A supplier who has no competition is a monopoly.

1.10 The National Revenue Fund is the fund into which all revenue raised by the state is paid.

(10 x 2) **[20]**

QUESTION 2

Read the passage below and answer the following questions:

> In 2011, The Department of Rural Development and Land Reform, working with partners from the public and private sectors, intervened in areas which had been hit by natural disaster (lightning, flash floods and thunderstorms) by providing emergency housing, using steel and sandbag technology as well as accessories such as gel stoves, solar lights, solar radios and lightning conductors.
>
> [website: Aboutsa - *Rural Development and Land Reform* – articles]

2.1 Describe in detail the nature of public services, as well as the sources of their funds. Give ONE example for each answer. (20)

2.2 Define the term *privatisation.* (2)

2.3 Name and briefly describe the methods of privatisation. (4 x 3) (12)

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2.4 State TWO primary objectives for the national authorities to issue grants to provincial and local authorities. (2 × 2) (4)

2.5 Name FIVE types of grants. (5 × 2) (10)

2.6 Which externalities are depicted in the extract? (2)

2.7 State FIVE sources of income for local authorities. (10)
[60]

QUESTION 3

Read the passage below and answer the following questions:

> We are very concerned about the fact that government fails to pay their suppliers within the stipulated and agreed 30 days after invoices were verified. This failure has serious consequences for SMME's and job creation in general. It is ironic that government officials are held accountable for slow processing and late payments while taxpayers are threatened with interest and penalties for late submissions to SARS (South African Revenue Services).
>
> [Source: *www.polity.org.za*]

3.1 The director general of the national treasury is regarded as the chief financial officer of the state. The funding of the national revenue is one of his/her functions.

3.1.1 At which bank will you find the exchequer? (2)

3.1.2 How frequently must revenue that has been collected be deposited? (2)

3.1.3 Which state department is responsible to receive the income and which officer is in charge? (2 × 2) (4)

3.2 Discuss the audit function with regard to state finances under the following headings:

3.2.1 Priori auditing method

3.2.2 Ex Post Facto auditing method

(2 × 6) (12)

3.3 Describe FIVE responsibilities of an accounting officer that manages public finances. (5 × 2) (10)

3.4 Explain project grants, paying special attention to the following:

3.4.1 State the purpose for which they are issued and give ONE example. (2 × 2) (4)

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3.4.2 On which basis is the project grants issued? Give TWO reasons. (2 × 1) (2)

3.4.3 How does a region acquire the project grant? (2 × 2) (4)

3.4.4 Give ONE example of a positive spill-over effect provided by the SMME's. (2)

3.5 When auditing the books of local governments, the auditor-general places emphasis on certain issues. Briefly discuss. (18)
[60]

QUESTION 4

Read the paragraph below and answer the following questions:

'This budget speech, Mister President, reflects the collective determination of the government to address with energy the challenges of creating jobs, reducing poverty, building infrastructure and expanding our economy …'
[Source: *Budget Speech 2012* by Minister of Finance, Pravin Gordhan]

4.1 The following are principles of a socialistic government

For each statement given below, briefly compare how the South African government handles similar matters to provide in the needs of citizens.

4.1.1 The abolition of property rights and use all income from rents for public purposes

4.1.2 A heavy progressive (graduated) income tax

4.1.3 Extension of factories and instruments of production owned by the state

4.1.4 Centralisation of credit in the hands of the state

4.1.5 Free education for all children in public schools

(5 × 2) (10)

4.2 Briefly describe FIVE characteristics of a budget. (5 x 2) (10)

4.3 Name FIVE staff functions. (5 x 2) (10)

4.4 Briefly discuss the conditions before funds can be withdrawn from the National Revenue Fund. (5 x 2) (10)

4.5 State the control measures exercised over the local governing authorities. (5 x 2) (10)

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4.6 Who is responsible for the execution of the budget at:

4.6.1 Central government level

4.6.2 Local government level

(2 x 2) (4)

4.7 Seniors in charge of public departments are required to be both responsible and accountable.

Briefly explain what is meant by the *accountability* required of them. (2 x 2) (4)

4.8 What is the opposite of positive spill-over effects? (2)
[60]

TOTAL: 200

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