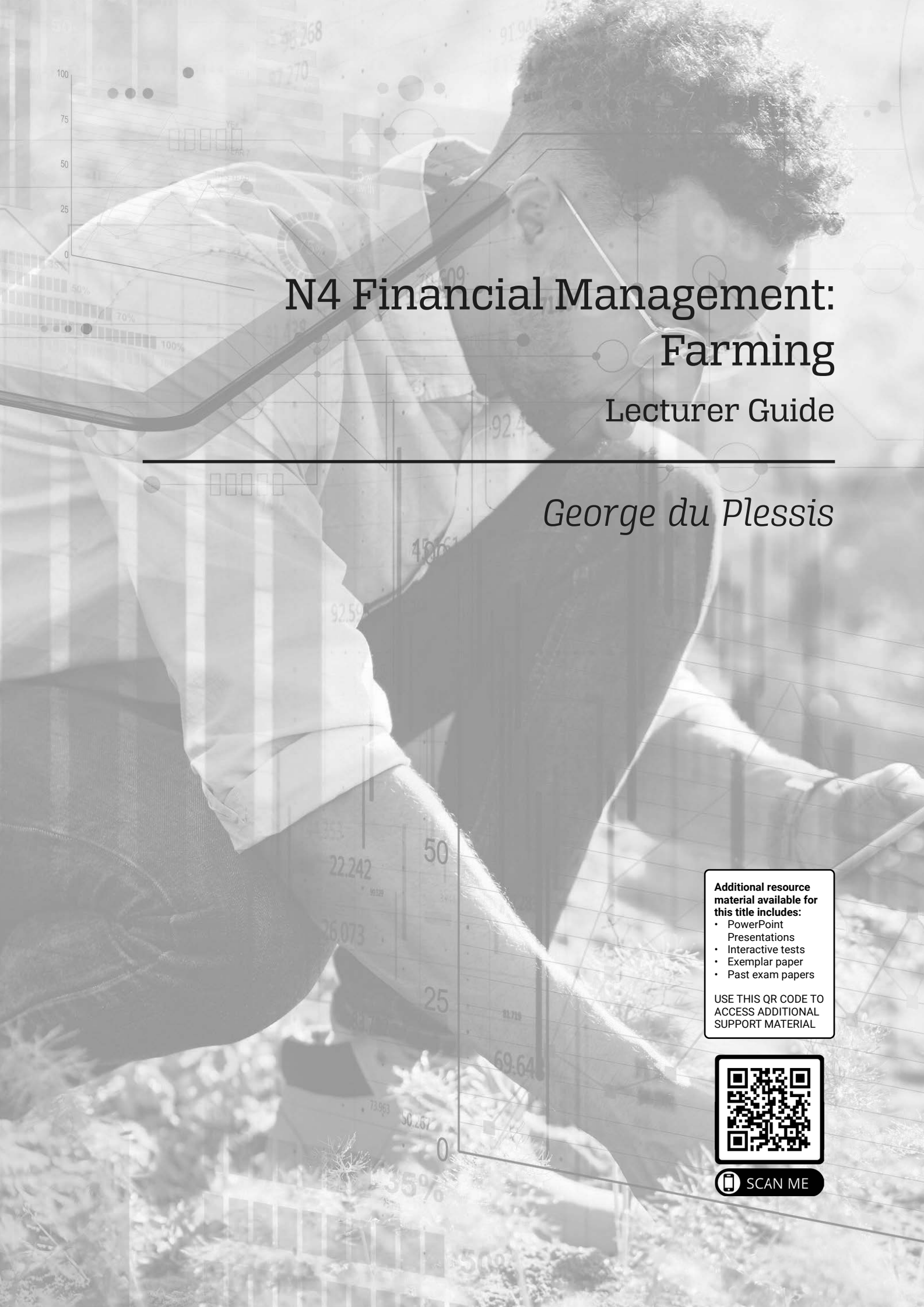

N4 Financial Management: Farming

Lecturer Guide

George du Plessis

Additional resource material available for this title includes:

- PowerPoint Presentations
- Interactive tests
- Exemplar paper
- Past exam papers

USE THIS QR CODE TO ACCESS ADDITIONAL SUPPORT MATERIAL

SCAN ME

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Contents

Lecturer Guidance

1. General aims

- Students must be able to make a productive contribution as managers or owners at a farming enterprise.
- Students must develop the knowledge, interest and skills which will enable them to apply the principles of financing in a farming business.
- Students must develop the faculty of critical thinking and the ability of working independently.
- Students must develop the social skills and economic independence that will empower them to find their rightful place in the community.

2. Specific aims

- The students must be able to identify the tasks of financial management and explain the role of computers in financial analysis, as well as production economy principles and cost concepts.
- The students must understand and realise the importance, requirements and auxiliary statements of a farm management information system.
- Students must understand, acquire insight into and apply basic accounting theory and concepts.
- Students must understand, acquire insight into and apply concepts of the double-entry system. Students must be able to do basic financial statement calculations and make it applicable to farming.

3. Prerequisites

A student must have passed English or Afrikaans at First Additional Language level at least in the National Senior Certificate (NSC) or its equivalent, as well as in 50% Mathematical Literacy or 40% for Mathematics.

4. Duration

Full-time: One semester (17 weeks). Six hours (of which five must be lecturer contact hours and one hour for e-learning) per week for one semester.

5. Evaluation

5.1 Evaluation

Evaluation is conducted continuously by means of assignments, case studies, class tests and oral work. A semester mark of at least 40%, as well as a minimum examination mark of 40%, are required to pass the instructional offering. The semester mark and the examination mark will be calculated together in a ratio of 40:60 to derive the promotion mark.

5.2 Examination

The examination in N4 Financial Management: Farming will be conducted as follows:
Paper 1: Modules 1 – 4
Duration: 3 hours consisting of 200 marks
All templates will be provided.
Students require a calculator for the examination.

Candidates are allowed to answer these papers in one language only. Papers will only be set in Afrikaans and English, but provision will be made for other languages should the need be expressed by commerce and industry.

Emphasis is placed on the practical application of the learning content as required in the world of work. The mark distribution of the content of the paper will be in accordance with the weighted values as set out in the modules.

5.3 Weighting

Recall, comprehension, application, analysis, synthesis and evaluation of learning content are important aspects in determining a student's knowledge and understanding of the learning content of the instructional offering.

The following weights are consequently awarded to each category:

Recall	Application	Analysis	Evaluation
Knowledge	Comprehend and apply	Analyse and synthesis	Evaluate
30–40	40–50	10–20	10–20

6. Mark allocation and weighted value of modules

Modules	Marks	Weighting (%)
1. Financial management in perspective	50	25
2. Financial management information systems: Importance, requirements and auxiliary statement	50	25
3. Financial management information systems: Accounting principles and journals	50	25
4. Financial management information systems: The double-entry principle and an introduction to financial statements	50	25
Total	**200**	**100**

7. Requirements for passing

In order to pass the instructional offering, a student must obtain a final mark of 40%, with a submission of 40% for the semester mark and the examination mark. The semester mark and the examination mark will be added together in a ratio of 40:60 to obtain the promotional mark.

The semester mark consists of the following:

- One written test, consisting of 50% of the syllabus (± 70 marks, 1 hour)
- One practical assignment, consisting of 80% of the practical component of the syllabus; theoretical questions may be included (100 marks, open book, 2 – 3 working days).
- One internal examination, consisting of 80–100% of the syllabus, including theoretical and practical questions (130 marks, 2 hours).

8. General information

An interactive didactic approach should be followed in order to equip students with the general and particular skills of financial management. Practical applications and skills development must take place continuously.

The weighted value of the modules out of 100 indicates the relative importance of each module in the teaching time allocated to it as well as its relative examination value.

Exposition of learning content
The topic or theme is preceded by the word Module, followed by a number indicating the chronological position of the theme within the instructional offering. The learning content and learning objectives are specified for each theme in the syllabus.

9. Didactic guidelines

- Theoretical principles should be applied to practical real-life situations.
- Discussion and evaluations should be done on the basis of case studies.
- Theoretical principles should be linked to other modules, such as interviewing, correspondence and meetings, etc. which are all applications of the basic communication process.
- Although the art of effective listening could be formally introduced and refined in oral work, it should be practised continually and become part of the students' way of life.
- Role play, excursions, film clips and interviews could all contribute to an understanding and evaluation of the communication process.

10. Work schedule

Week	Topic	Content	Activities	Hours
1–3	**Module 1** Financial management in perspective	1.1 Description of scientific farm management 1.2 Description of financial management in a farming enterprise 1.3 Tasks of financial management 1.4 The role of the computer in financial analysis 1.5 Economic principles and cost concepts	Activity 1.1 Activity 1.2 Activity 1.3 Activity 1.4 Activity 1.5 Summative assessment	18 hours
4–6	**Module 2** Financial management information systems: Importance, requirements and auxiliary statement	2.1 The importance of a FMIS 2.2 Requirements 2.3 Steps in the establishment of a FMIS 2.4 Schematic representation 2.5 Auxiliary statements 2.6 The inventory or asset register 2.7 Valuation of assets 2.8 Calculation of depreciation and depreciating assets 2.9 Other auxiliary statements 2.10 Financial concepts, calculations and graphs	Activity 2.1 Activity 2.2 Activity 2.3 Activity 2.4 Activity 2.5 Activity 2.6 Activity 2.7 Summative assessment	18 hours
7–11	**Module 3** Financial management information systems: Accounting principles and journals	3.1 Accounting theory and principles 3.2 Documents 3.3 Definition of assets, liabilities, capital, income and expenditure 3.4 Bookkeeping	Activity 3.1 Activity 3.2 Activity 3.3 Activity 3.4 Activity 3.5 Activity 3.6 Activity 3.7	30 hours

Week	Topic	Content	Activities	Hours
12–15	**Module 4** Financial management information systems: The double-entry principle and an introduction to financial statements	4.1 Double entry system 4.2 Ledger accounts 4.3 Description and calculation of accounting concepts: Introduction to the Income Statement and Balance Sheet	Activity 4.1 Activity 4.2 Activity 4.3 Enrichment exercise Activity 4.4 Activity 4.5 Activity 4.6 Activity 4.7 Activity 4.8 Activity 4.9 Activity 4.10 Activity 4.11 Activity 4.12 Summative assessment	24 hours
Total				**± 90 hours**

11. Lesson plan template

CAMPUS	
LECTURER	
SUBJECT AND LEVEL	N4 Financial Management Farming
PRESCRIBED TEXTBOOK: TITLE AND AUTHOR	*N4 Financial Management Farming* by George du Plessis

LESSON	CONTENT/OUTCOMES TO BE COVERED THIS WEEK	LIST OF EXAMPLES TO BE DONE IN CLASS BY THE LECTURER TO EXPLAIN THE OUTCOME/CONCEPT	FACILITATION METHOD (PLEASE TICK)		TEACHING RESOURCES/ AIDS (PLEASE TICK)		STUDENT ACTIVITY (EXERCISE IN TEXTBOOK/ ADDITIONAL SUPPORTING TASK) TO BE DONE THIS WEEK
WEEK 1			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
			RECAPPING/REINFORCEMENT				

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WEEK 2			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
			RECAPPING/REINFORCEMENT				

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WEEK 4			Lecture		White board/OHP		
			Group work		Models		
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WEEK 5			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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WEEK 6			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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			RECAPPING/REINFORCEMENT				

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WEEK 7			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
			RECAPPING/REINFORCEMENT				

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WEEK 8			Lecture		White board/OHP		
			Group work		Models		
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			Simulation		Multimedia		
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WEEK 9			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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			RECAPPING/REINFORCEMENT				

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WEEK 10			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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			RECAPPING/REINFORCEMENT				

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WEEK 11			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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WEEK 13			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
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WEEK 14			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
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WEEK 15			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
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WEEK 16			Lecture		White board/OHP		
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WEEK 17			Lecture		White board/OHP		
			Group work		Models		
			Demonstration		Handouts		
			Simulation		Multimedia		
			INTRODUCTION TO LESSONS				
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Module 1

Financial management in perspective

After completing this module, students will be able to:

- explain the concept *scientific farm management*;
- explain the concept *financial management*;
- identify the tasks of financial management;
- explain the role of a computer as an aid in financial analysis;
- explain the concept *marginality*;
- calculate and represent graphically a production function, average product and marginal product, as well as different phases of production;
- define the law of diminishing marginal returns;
- recall the appropriate formulas and complete a table to calculate the optimal production level;
- explain *maximum production* vs *maximum profit*;
- recall the formulae for determining the marginal rate of substitution;
- complete a table with two variable inputs in combination to produce a given output in order to determine the least cost combination;
- explain and illustrate graphically the various possible rates of substitution;
- explain and illustrate graphically the different output-output ratios;
- recall the formula for obtaining the maximum profit combination;
- complete a table with the combination of two products with a fixed number of variable inputs in order to determine the maximum profit combination; and
- calculate, present graphically and apply the listed cost concepts to determine the optimal production level.

In South Africa, the farming sector plays a pivotal role in the continuation and expansion of the economy. As South African farmers, it is our responsibility to do everything in our power to ensure that the farming sector goes from strength to strength. To do this, farmers should realise that farming is not just about physically cultivating the land. It is a very complex process that consists of a few factors, amongst which is financial management.

This module will give students an idea of what to expect when farming and what the management consists of. Please note that the factors mentioned and explained in this module are definitely not the only things that matter when farming.

Activity 1.1 SB page 9

1. To make rational decisions, it is important to follow the decision- making process. Name and describe the SEVEN steps (in the correct order).

1.
- **Diagnose and define the apparent problem and/or opportunity ✓**
- **Determine where this problem comes from, divide into sub-sections and which section of the problem should be solved. ✓**

2. Any ONE of the following:
- **Gather and analyse information about the problem ✓**
- **Ask questions like what, who, when, where why? (5 W's) ✓**
- **Do research about similar problems from the past and how it was solved. ✓**

3.
- **Developing alternative solutions ✓**
- **Be creative to find solutions, seeing that problem could be solved in more than one way. ✓**

4.
- **Making the decision or choosing the most applicable and satisfactory solution. ✓**
- **Anticipate what the outcome of the decision might be, as well as new problems that might arise from making that specific decision. ✓**

5.
- **Implementing the decision ✓**
- **Make sure that all necessary resources and processes are in place to facilitate the decision that's being implemented. ✓**

6.
- **Take ownership of the outcomes of the decision ✓**
- **Accept responsibility when the decision taken is either a success or a failure. ✓**

7.
- **Any ONE of the following:**
- **Observing and evaluating the outcome of the decision.✓**
- **Make follow-up decisions based on the outcome.**
- **Re-planning and repeating the process might be needed.**

(7x2)

2. **Name the SIX areas of decision making.**
Any SIX of the following:
- **Financial ✓**
- **Production ✓**
- **Purchasing ✓**
- **Administration ✓**
- **Marketing ✓**
- **Manpower ✓**
- **Public relations ✓**
- **General management ✓**

(6)

3. Farm management is a _____ process.
   Continuous ✓ **(1)**

4. Supply alternative terms for the following:
   4.1 Application of funds
   Investment ✓
   4.2 Procurement of funds
   Financing ✓ **(2)**

5. Name TWO resources that are needed for effective farm management.
   Any TWO of the following:
   - **Assets ✓**
   - **Manpower ✓**
   - **Basic utility services.**
   - **Entrepreneurship and management skills.**
   - **Capital**

   (2)

6. There are a few basic guidelines for farm management which managers can follow to ensure the farm procures the correct computer. Name these guidelines.
   - **Analyse the farms' management information system ✓**
   - **Determine if the farming enterprise really needs a computer to reach its goals. ✓**
   - **Will you be able to maintain the computer and the information that it needs? ✓**
   - **Will you be able to analyse and interpret the information given correctly? ✓**
   - **Search for the correct computer for you situation ✓**

   (5)

7. Describe the guidelines for setting of SMART goals.
   - **Always put goals in writing. ✓**
     This will facilitate the adaptation and organisation if and when necessary. ✓
   - **Goals do change ✓**
     Be prepared to adapt and overcome if the situation requires it. ✓
   - **The goals of the farmer and the enterprise should be in line with each other. ✓**
     If the goals are not in line, the enterprise might not be as successful as one would hope for, and it will only result in the farmer being frustrated. ✓
   - **Short, medium- and long-term goals ✓**
     Your short- and medium-term goals should contribute to the achieving of long-term goals. ✓

   (4x2)

8. Name TWO activities which form part of the human resource management function.
   Any TWO of the following:
   - **Human resources planning**
   - **Remuneration of employees**
   - **Training and development of employees**
   - **Performance appraisals**
   - **Promotion and transfer of employees.**

   (2)

Total: 40 marks

Activity 1.2 SB page 12

1. Students had to copy and complete the following table in their workbooks.

Combination	Input	Total production	Average production	Marginal product
	X ✓	**Y ✓**	**(Y/X) ✓**	**ΔY / ΔX ✓**
1	10	800	80.0 ✓	
				102.0 ✓
2	20	1 820	91.0 ✓	
				88.0 ✓
3	30	2 700	90.0 ✓	
				72.0 ✓
4	40	3 420	85.5 ✓	
				52.0 ✓
5	50	3 940	78.8 ✓	

(13)

2. In production, you will typically come across THREE stages. These stages are either rational or irrational. Indicate which stages are rational and irrational.
   Stage 1 = Irrational ✓
   Stage 2 = Rational ✓
   Stage 3 = Irrational ✓

(3)

3. What does marginality mean and by which symbol is it represented?
   Calculating the influence ✓ on another variable ✓ when an input or various inputs are changed ✓

   Δ Delta ✓

(4)
Total: 20 marks

Activity 1.3

SB page 15

1. Students had to copy and complete the following table in their workbooks.

Optimum production level or input application; input @ R50p/kg and output price @ R5 p/kg								
Combi-nation	**Input**	**Total production**	**Marginal product**	**Value of MP**	**Input price**	**Value of TP**	**Total input price**	**Marginal profit**
	X	Y	$\frac{\Delta V}{\Delta X}$	$\frac{\Delta V}{\Delta X}$.Py ✓	Px ✓	Y.Py ✓	X.Px ✓	Y.Py – X.Px ✓
1	5	500			50 ✓✓ (If all cells display 50)	2500 ✓	250 ✓	2 250 ✓
			25 ✓	125 ✓				
2	10	625			50	3 125 ✓	500 ✓	2 625 ✓
			15 ✓	75 ✓				
3	15	700			50	3500 ✓	750 ✓	2 750 ✓
			10 ✓	50 ✓				
4	20	750			50	3750 ✓	1000 ✓	2 750 ✓
			5 ✓	25 ✓				
5	25	775			50	3875 ✓	1250 ✓	2 625 ✓
			0 ✓	0 ✓				
6	30	775			50	3875 ✓	1500 ✓	2 375 ✓
			– 8 ✓	– 40 ✓				
7	35	735			50	3675 ✓	1750 ✓	1 925 ✓

(40)

2. What is the law of diminishing marginal returns?
   As more variable units of input are added ✓ in combination with other constant inputs ✓, the Marginal Product will eventually start to decrease. ✓

(3)

3. Which TWO factors can cause the value of product curve to move upwards or downwards?
   - **Changes in yield or production (natural disasters) ✓**
   - **Change in price ✓**

(2)

Total: 45 marks

Activity 1.4 SB page 22

1. Students had to copy and complete the following table in their workbooks.

Choice of the optimum combination with a fixed number of available inputs									
Combi-nation	**Maize (kg)**	**Change: maize**	**Sun-flowers (kg)**	**Change: Sun-flowers**	**Substitution ratio**	**Inverse price ratio**	**Income: Maize**	**Income: Sun-flowers**	**Total income**
	y1	Δ y1	y2	Δ y2	$\frac{\Delta y2}{\Delta y1}$ ✓	$\frac{py1}{py2}$ ✓	y1.py1✓	y2.py2✓	y1.py1 + y2.py2✓
1	0	(✓)	1 500	(✓)		(✓)	0	780	780
		100		100	1	1.75			
2	100		1 400				91	728	819
		200		140	0.7✓	1.75			
3	300		1 260				273✓	655.2✓	928.2✓
		200		200	1✓	1.75			
4	500		1 060				455✓	551.2✓	1 006.2✓
		200		270	1.35✓	1.75			
5	700		790				637 ✓	410.8 ✓	1 047.8 ✓
		200		350	1.75✓	1.75			
6	900		440				819✓	228.8✓	1 047.8✓
		200		440	2.2✓	1.75			
7	1 100		0				1 001✓	0✓	1 001✓
Note: Wheat = R0.91/kg; Sunflowers = R0.52/kg									

(28)

2. What is the formula for determining the physical rate of substitution?
   Physical rate of substitution = $\frac{\Delta X_2 \checkmark}{\Delta X_1 \checkmark}$

(2)

3. Describe the decreasing rate of substitution.
   As the quantity of input X1 decreases ✓, more and more units of input X2 are needed to replace one unit of input X1 ✓.

(2)

4. What rate of substitution is described as follow: Input x1 is substituted in the same ratio as input x2.
   Constant rate ✓

(1)

5. Give an example of complimentary products.
   When cattle and goats graze together. ✓ The do not primarily live on and compete for the same inputs, and the coats could benefit cattle by eating the leave of trees and bushes, which would lead to the prevention of bush encroachment and more grass would be available for the cattle. ✓

(2)

Total: 35 marks

Activity 1.5 SB page 27

1. Students had to copy and complete the following table in their workbooks.

Cost principles: TFC = R 1 700/ha Input = R 15/kg Selling Price = R 265/kg										
INPUT	**MAIZE**	**MARGINAL PRODUCT**	**RAND**	**RAND**	**RAND**	**R/T**	**R/T**	**R/T**	**R/KG**	**R/KG**
X	Y	$\frac{\Delta y}{\Delta x}$	TFC	TVC	TC	AFC	AVC	ATC	MC	MI
10	1 000		1 700	150✓	1 850✓	1.7✓	0.2✓	1.9✓		(✓)
		25							0.6✓	265.0
20	1 250		1 700	300✓	2 000✓	1.4✓	0.2✓	1.6✓		
		15							1.0✓	265.0
30	1 400		1 700	450✓	2 150✓	1.2✓	0.3✓	1.5✓		
		10							1.5✓	265.0
40	1 500	(✓✓)	1700	600✓	2 300✓	1.1✓	0.4✓	1.5✓		
		10	(✓)						1.5✓	265.0
50	1 600		1 700	750✓	2 450✓	1.1✓	0.5✓	1.5✓		
		12							1.3✓	265.0
60	1 720		1 700	900✓	2 600✓	1.0✓	0.5✓	1.5✓		
		18							0.8✓	265.0
70	1 900		1 700	1 050✓	2 750✓	0.9✓	0.6✓	1.4✓		

(45)
Total: 45 marks

Summative assessment

SB page 29

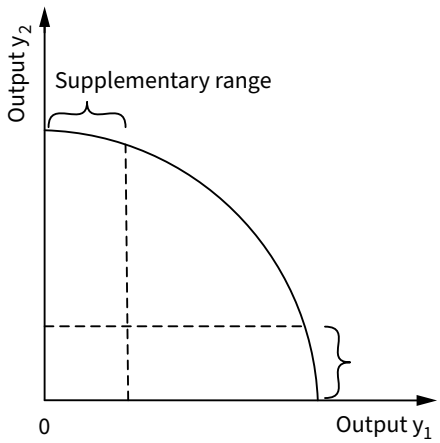
1. Students had to copy and complete the following table.

Production per hectare (tonnes/ha)	Fixed Cost	Variable Cost	Total Cost	Average Fixed Cost	Average Variable Cost	Average Total Cost	Marginal Cost
2.0	1 000	750	1 750✓	500✓	375✓	875✓	
4.0	1 000✓	6 000	7 000✓	250✓	1 500✓	1 750✓	2 625✓✓
6.0	1 000✓	7 000	8 000✓	166.67✓	1 166.67✓	1 333.33✓	

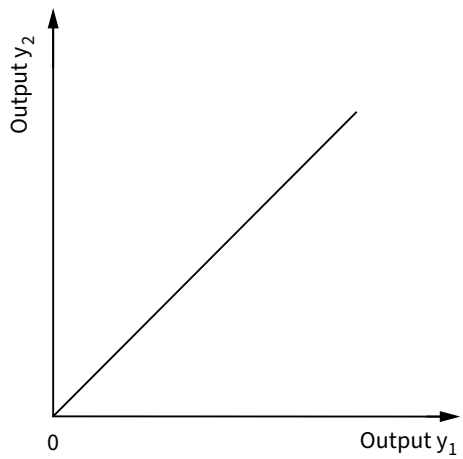
(Anon., 2014)
(16)

2. Students had to draw a graph of each of the following production curves and give an example of each.

2.1 Supplementary products



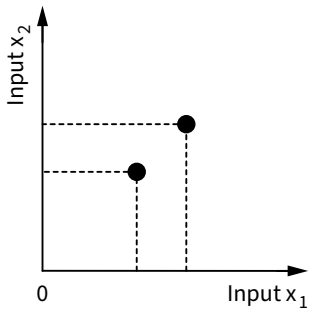
2.2 Joint products



(Anon., 2014)
(4x2=8)

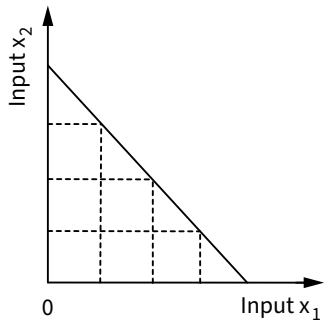
3. Students had to name and describe the graphs representing rates of substitution.

3.1



Fixed rate:
Inputs are used at a fixed rate and no substitution takes place.

3.2



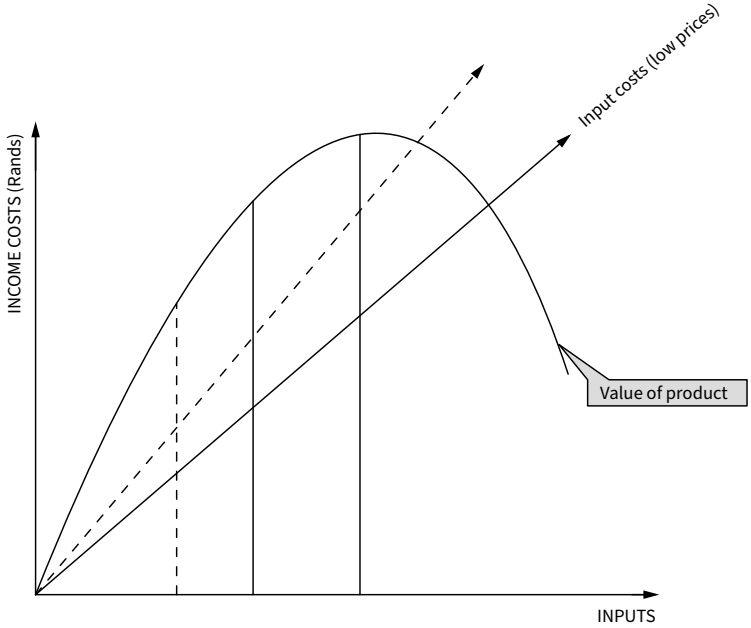
Constant rate:
Input X1 is substituted in the same ratio as input X2.

(3x2)

4. What is the formula used to determine the returns-to-scale ratio?
Returns to scale = $\frac{\text{\% change in cost}}{\text{\% change in production value}}$ ✓✓

(2)

5. Students had to study the graph and answer questions:



5.1 At what level of input is maximum production achieved with the low price input cost line?
Point X ✓ **(1)**

5.2 At what level of input is maximum profit achieved with the low price input cost line?
Point X ✓ **(1)**

5.3 Assume that input price prices increase faster than product prices.
Should the farmer use fewer or more inputs to achieve maximum profit?
Fewer ✓✓ **(2)**

5.4 Name TWO factors that can move the value of product curve either upwards or downwards.
Change in yield ✓✓
Change in Price ✓✓ **(4)**

Total: 40 marks

Module 2

Financial management information systems: Importance, requirements and auxiliary statements

After completing this module, students will be able to:

- sketch the importance of a farm management information system;
- discuss the requirements and scope of a farm management information system;
- identify the steps in the establishment of a farm management information system;
- provide a schematic representation of a farm management information system;
- name the auxiliary statements;
- complete the inventory or asset register;
- explain the valuation of assets for inventory purposes;
- explain the purpose of calculating depreciation;
- explain the term *depreciating assets*;
- explain and calculate the most general methods of calculating depreciation;
- briefly explain other auxiliary statements that a farmer should keep and apply these in a practical situation;
- explain the different financial concepts listed be able to do calculations with a pocket calculator and to make it applicable to farming:
  - averages
  - interest – nominal and effective
  - percentages
  - projections
  - instalments
  - net present value
  - amortisation
  - graphs on the following:
    - line graph
    - pie chart
    - bar graph.

In South Africa, the farming sector plays a pivotal role in the continuation and expansion of the economy. As South African farmers, it is our responsibility to do everything in our power to ensure that the farming sector goes from strength to strength. To do this, farmers should realise that farming is not just about physically cultivating the land. It is a very complex process that consists of a few factors, amongst which is financial management.

This module will give students an idea of what to expect when farming and what the management consists of. Please note that the factors mentioned and explained in this module are definitely not the only things that matter when farming.

Activity 2.1 SB page 41

1. Assume the costs and income for a new vineyard for the first five years are as follows:

Year	Cost(R)	Income (R)
1	103 000	0
2	63 500	25 400
3	54 700	38 650
4	44 000	44 000
5	35 970	53 210

1.1 Calculate the establishment cost of the vineyard. Make use of the table below:

Year	Cost(R)	Income (R)	Establishment cost	
			Annual costs	Cumulative
1	103 000	0	103 000	103 000✓
2	63 500	25 400	38 100	141 100✓
3	54 700	38 650	16 050	157 150✓
4	44 000	44 000	0	
5	35 970	53 210		

Thus, the establishment cost of this vineyard is R 157 150. ✓

(4)

2. At which values are the following valued in the inventory of a farming enterprise?
   2.1 Production supplies
   The lowest of either the
   - **Cost price (purchase price)**
     or
   - **Market price. ✓**

   2.2 Livestock
   Net sales value. ✓
   2.3 Apple orchard
   Establishment costs or expected current establishment cost minus the accumulated depreciation. ✓

2.4 Land
Land is valued at the conservative market value. ✓

(4)

3. Name the steps involved in constructing a farm management information system and list the reasons why this system is important.
Steps:
1. **Construction of a physical and monetary inventory through a valuation of assets. ✓**
2. **Construction of an opening balance sheet at the beginning of the year based on the information obtained from the inventory. ✓**
3. **Capturing and recording all income/receipts and expenses/payments. ✓**
4. **Capturing and recording all physical production data. ✓**
5. **Constructing and maintaining comprehensive manpower records. ✓**
6. **Constructing annual financial statements at the end of the financial year. ✓**
7. **Analyse and interpret the financial results of the farming enterprise and use it to plan accordingly. ✓**

The steps must be in order.

Reasons:
- **This is the foundation on which all scientific decisions are based. ✓**
- **The farm management information system guides the farmer to think more systematically, because the system handles figures systematically. ✓**
- **It aids the farmer in submitting accurate tax returns and returns for credit purposes on time. ✓**
- **It will regularly bring the financial results and status of the farm to the farmer's attention, so that he or she can plan and know how much money is available to be spent on the farm and his or her family. ✓**
- **It will help the farmer to approach situations and circumstances more objectively, owing to the fact that this system forces him or her to think in terms of measurable numbers and quantities. ✓**

(7 + 5) Total: 20 marks

Activity 2.2 SB page 43

1. It is the end of the 2014 book year and depreciation must be written off on the above implement. This asset was bought at the end of 2010 at a price of R100 000. It is estimated that this asset will be useful for about 10 years. The salvage value of this asset is R 5 000.
1.1 Determine the annual depreciation using the straight-line method.
$\frac{CP-S}{L}$ ✓
$= \frac{100\,000-5\,000}{10}$ ✓✓
= R 9 500 p.a. ✓✓

(5)

2.1 What is the accumulated depreciation at the end of the 2014 book year?
4 years
Annual depreciation x years in use ✓
= 9 500 × 4
= R 38 000 ✓

(2)

2.3 What would the accumulated depreciation be at the end of the useful life of the asset?

Annual depreciation x life expectancy ✓
= 9 500 × 10
= R 95 000 ✓✓
or
Cost price – Salvage value ✓
= 100 000 – 5 000
= R 95 000 ✓✓

(3)

2.4 What was the accumulated depreciation on this asset at the end of year 3?

Annual depreciation x 3
= 9 500 × 3
= R 28 500 ✓✓

(2)
Total: 12 marks

Activity 2.3 SB page 46

1. You buy an asset for R150 000. This asset's salvage value is R10 000. It will be useful for 20 years.

1.1 Determine the depreciation rate for this asset.

$\frac{200}{\text{useful life}}$
$= \frac{200}{20}$
= 10% ✓✓

(2)

1.2 Determine the depreciation for this asset for the first year that it has been used.

BV × R✓
= 150 000 × 0.1 ✓
= R 15 000 ✓✓

(4)

1.3 What would the accumulated depreciation be after 3 years of use?

BV = CP × (1 – r)^Y ✓
BV = 150 000 × (1 – 0.1)^3
BV = 150 000 × (0.9)^3
= 150 000 × 0.729 ✓
= R 109 350 ✓✓

Therefore:
Accumulated depreciation = Cost price – Book value ✓
= 150 000 – 109 350
= R 40 650 ✓✓

Or the following alternative, but definitely not the preferred method:
Year 1:
BV × R
= 150 000 × 0.1
= R15 000

Year 2:
BV × R
= (150 000 – 15 000) × 0.1
= R 13 500

Year 3:
BV × R
= (135 000 – 13 500) × 0.1
= R 12 150

Accumulated depreciation
= 15 000 + 13 500 + 12 150
= R 40 650

(7)

1.4 What is the book value of this asset after depreciation has been written off for 5 years?

BV = CP × $(1 - r)^Y$ ✓
= 150 000 × $(1 - 0.1)^5$ ✓
= 150 000 × $(0.9)^5$ ✓
= 150 000 × 0.59049 ✓✓
= R 88 573.50 ✓✓

(7)
Total: 20 marks

Activity 2.4 SB page 48

1. A certain asset was bought for R100 000. This combine harvester has a salvage value of R10 000. After some calulations, it was determined that this tractor would be useful for 15 years or 20 000 hours.

1.1 In a certain year, this tractor worked for 2 000 hours. What would the annual depreciation be if the use method was used?

D = $\frac{(CP-S)}{HU} \times \frac{H}{1}$ ✓

D = $\frac{100\,000-10\,000}{20\,000} \times \frac{2000}{1}$ ✓

D = $\frac{90\,000}{20\,000} \times \frac{2000}{1}$ ✓

D = 4.5 × 2 000 ✓

D = R9 000 ✓✓

(6)

1.2 If the tractor already worked 10 000 hours in total, what would the initial value of this tractor be?

Rate of depreciation

= $\frac{\text{Cost price or replacement value-Salvage value}}{\text{Useful life}}$

= $\frac{100\,000-10\,000}{20\,000}$

= R 4.50 per hour ✓✓

Accumulated depreciation

= Rate per hour × Hours already worked ✓

= 4.50 × 10 000

= R 45 000 ✓✓

Initial value

= Cost price or replacement value minus accumulated depreciation ✓

= 100 000 – 45 000

= R 55 000 ✓✓

(9)

Total: 15 marks

Activity 2.5 SB page 49

1. You are working for a company that uses the declining balance method to depreciate their tractors. The enterprise bought the neighbouring farm and the financial manager asked you to determine the book value of the implements and tractors. You know that this particular tractor is 3 years old and was bought for R220 000. The enterprise follows a policy that determines that a tractor would be useful for 5 years.

   Determine the book value of this tractor. Show all formulae and calculations.

   BV = CP × (1 – r)^Y ✓

   = 220 000 × (1 – 0.4)^3 ✓

   = 220 000 × (0,6)^3 ✓

   = 220 000 × 0,216^3 ✓✓

   = R 47 520^3 ✓✓

   (7)

2. Suppose the following information is available for a certain spray machine:

Cost price	**R150 000**
Scrap value	**R30 000**
Lifespan	**6 years**

2.1 What would the annual depreciation be if the straight-line-method was used?

D = $\frac{(CP-S)}{L}$

= $\frac{150\,000-30\,000}{6}$ ✓

= **R 20 000 p.a** ✓✓

(4)

2.2 If the lifespan of this spray machine was 10 000 hours and it had already been used for 2 000 hours this year, what would the accumulated depreciation (use method) be?

D = $\frac{(CP-S)}{HU} \times \frac{H}{1}$ ✓

= $\frac{150\,000-30\,000}{10\,000} \times \frac{2000}{1}$ ✓

= **R24 000** ✓✓

(4)

2.3 When using the declining balance method, you have to calculate the depreciation rate which includes using the letter R. What does R represent?

= $\frac{2}{\text{Useful life}} \times \frac{100}{1}$ ✓✓ or = $\frac{200}{\text{Useful life}}$ ✓✓

(2)

Total: 17 marks

Activity 2.6 SB page 60

Inflation and depreciation

1. A farmer bought a new combine for R540 000 on 28 February 2001. According to his accountants' calculations, this combine would be useful for 20 years, after which it can be sold for approximately R115 000. After 20 years of use, a similar model would cost approximately R3 200 000.
   Calculate the following:

   1.1 The replacement reserve that must be accumulated

   = Replacement value – Cost price ✓
   = R 3 200 000 – 540 000 ✓
   = R 2 660 000 ✓✓

   Or

   = Capital recovery – Depreciation ✓
   = 3 085 000 – 425 000 ✓
   = R 2 660 000 ✓✓

   (4)

   1.2 Depreciation

   = Cost Price – Salvage value ✓
   = 540 000-115 000 ✓
   = R 425 000 ✓✓

   (4)

   1.3 Capital recovery

   = Replacement value – Salvage value ✓
   = 3 200 000 – 115 000 ✓
   = R 3 085 000 ✓✓

   (4)

2. Now determine the annual contribution to the replacement reserve if the straight-line method of depreciation were to be used.

$= \frac{\text{Replacement value} - \text{Cost price}}{\text{Life expectancy}}$ ✓

$= \frac{3\,200\,000 - 540\,000}{20}$ ✓

= **R 133 000** ✓✓

(4)

Total: 16 marks

Activity 2.7 — SB page 61

Inventory

1. Asset Information:
   Type: Toyota Hilux Legend 40 – Single cab
   Engine: 3.0L Diesel
   Current replacement value = R591 500

   This particular asset was bought on 28 February 2010 at a price of R580 000. It is expected that this asset would be useful for 10 years, after which it can be sold for approximately R112 000. This farming enterprise makes use of the diminishing balance depreciation method.

   Make use of various depreciation calculations to determine the information that is needed for the inventory after 5 years of use.

FARMING INVENTORY		
Inventory date		28 February 2015✓
Category	Vehicles, Implements and machinery	
Make	Toyota✓	
Model	Hilux 3.0L✓	
Purchase or construction date	2010/02/28✓	
Registration number	BB 24 ZF GP✓	
Cost price or initial value	R580 000✓	
Expected useful life	10 years✓	
Current replacement value	R591 500✓	
Salvage value	R112 000✓	
Method and rate of depreciation	Diminishing balance method 20%✓	
Annual capital recovery	R47 513.60✓✓	
Opening value	R237 568✓	
Closing value	R190 054.40✓✓	

(15)

Total: 15 marks

Summative assessment SB page 61

1. Information supplied to you by Mr Jones, concerning an asset specification of Mgweba Farming enterprises.

Tractor:	
Cost price	R 450 000
Expected lifespan	10 years
Expected salvage value after 10 years	R 40 000
Years already used	3 years

1.1 Mr Jones needs your help to calculate the current value of this tractor, using the declining balance method.

BV = CP × (1 – r)^Y ✓
= 450 000 × (1 – 0.2)^3 ✓
= 450 000 × (0.8)^3
= 450 000 × 0.512^3 ✓
BV = R 230 400 ✓✓

(5)

1.2 Use the above-mentioned information to help him calculate the accumulated depreciation after 2 years of use, using the straight-line method.

$\frac{(CP-S)}{L}$
$= \frac{450\,000-40\,000}{10}$ ✓
= R 41 000 p.a ✓✓

Accumulated depreciation
= Annual depreciation x years in use
= 41 000 × 2
= R 82 000 ✓✓

(6)

2.1 Indicate whether the following statements are TRUE or FALSE.
Write either 'True' or 'False' next to the question number in your workbook.

2.1.1 Land is valuated at current value.
False ✓

2.1.2 Cattle that are ready for slaughter are valued at net sales value.
True ✓

2.1.3 Land statements are used to present information about the livestock branch.
False ✓

2.1.4 An inventory is an outline of a farm's tangible assets, cash and investments, together with the applicable Rand value.
False ✓

2.1.5 According to the used method of depreciation, there is a fixed amount of depreciation each year.
False ✓

(5)

2.2 For inventory purposes farming assets are normally divided into FIVE main groups. Name these groups.

- **Land** ✓
- **Fixed Improvements** ✓
- **Orchards, vineyards, and sugar cane plantations** ✓
- **Vehicles, machinery and implements** ✓
- **Stocks** ✓

(5)

2.3 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number in your workbook.

2.3.1 C. Use method.
2.3.2 G. Slaughter lambs, soon to be slaughtered and sold.
2.3.3 H. Established apricot orchard that already has borne a crop.
2.3.4 B. Wheat ready to be harvested.
2.3.5 B. Stock of unsold potatoes in the warehouse.
2.3.6 I. Land.
2.3.7 E. Stock of fuel in tanks on the farm.
2.3.8 J. Warehouse of which the erection costs are unknown.
2.3.9 F. Spray pump 5 years old and purchase price is known.
2.3.10 K. The paying off or paying back debt over time with means of instalments.

(10)

3. You are buying a new lorry for the farm. Name FIVE pieces of information about the lorry that should be included in the inventory.
Any FIVE of the following:

- **Make** ✓
- **Model** ✓
- **Purchase/construction date** ✓
- **Registration number** ✓
- **Cost price/Initial value** ✓
- **Useful life**
- **Replacement value**
- **Salvage value**
- **Depreciation method**
- **Annual capital recovery**
- **Opening book value**
- **Closing book value**

(5)

4. The net present value takes the time value of money into account. When determining this, there are certain steps that should be followed.
Name these steps.

The steps should be listed in the following order:

- **Calculate the discounting rate.** ✓
- **Calculate the present value of the investment.** ✓
- **Calculate the annual net cash flow.** ✓
- **Determine the present value of the annual net cash flow and the net present value of the investment.** ✓
- **Make a decision on which investment to make, and accept responsibility for the decision.** ✓

(5)

5. Differentiate between nominal and effective interest.
   Nominal interest: This is the interest rate that is payable once or more times per year. This rate does not take inflation and costs into account. ✓✓
   Effective interest: This rate, could be described as the rate that the person is actually going to pay. This includes administrative fees, other costs and compounding. ✓✓

(2 × 2)

6. Manpower records include all the information concerning your employees on the farm. Indicate FIVE pieces of information that could be included in the manpower records of a farm.
   Any FIVE of the following:
   - **Amount of workers ✓**
   - **Permanent or casual ✓**
   - **Positions (job titles) ✓**
   - **Service contracts ✓**
   - **Wages and salaries ✓**
   - **Debt**
   - **Deductions**
   - **Leave details**
   - **Attendance and absenteeism**
   - **Rations**
   - **Medical particulars**
   - **Workmen's compensation**
   - **Productivity**

(5)

7. Name the FOUR typical journals/ledgers/books in which a farm would capture all its income/receipts and expenses/payments on a daily and monthly basis. Explain what each one is being used for.
   - **Cash book: ✓ All receipts and payments of money are recorded in this book. ✓**
   - **Purchases Journal (Creditors Journal): ✓ All credit purchases are recorded in this journal, as well as the current balance owed to the particular vendor or supplier. ✓**
   - **Sales Journal (Debtors Journal): ✓ All credit sales are recorded in this journal, as well as the current balance owed to the business. ✓**
   - **General Ledger: ✓ This ledger is used to organise and store transactions for the Income Statement and Balance Sheet purposes. It can be seen as a summary of what has happened in the different journals during the accounting period. ✓**

(4 x 2)

8. A new farmer needs your help.
   He was told to keep updated physical production records, but he only knows about land records.
   Name THREE other physical production records that he must use on his farm.
   - **Crop records ✓**
   - **Livestock records ✓**
   - **Machinery and equipment records ✓**

(3)
Total: 60 marks

Module 3

Farm management information systems: Accounting principles and journals

After completing this module, students will be able to:

- describe and understand the general accounting cycle and represent it graphically;
- explain the principles of entrepreneurship regarding:
  - the profit motive;
  - the capital motive;
  - capital increase by farming;
- explain the principles of growth and decreasing wealth from the viewpoint of an entrepreneur;
- explain how the owner of a farm could increase his wealth by means of profitable activities;
- define and explain the purpose and functions of each of the following documents:
  - source documents
  - supporting documents
  - internal documents
  - external documents;
- explain the application of source documents in the recording process as well as the difference in the use of the original documents and duplicates;
- explain the purpose of filing, naming the safekeeping of documents as well as the procedure for safekeeping;
- define and explain the following concepts:
  - assets
  - liabilities
  - income
  - expenditure; and
- enter all the amounts received and paid into the following relevant journals, including closing them off:
  - Cash Payments Journal;
  - Cash Receipts Journal
  - Debtor Journal
  - Creditors Journal
  - Wage Journal
  - Petty Cash Journal.

The starting point is to ask oneself, what is accounting and what it is used for? Accounting is the recording of transactions in terms of monetary value. These transactions can either be cash of credit. When recording these transactions, the owner of a farming enterprise can determine what the enterprise's income, expenditure and the bottom line is. The bottom line is the farm profit, which the owner will get as remuneration for their entrepreneurship, labour and management of the farming enterprise. The basic aim of accounting is to keep a record of all transactions that transpired throughout the past financial period, which is normally a full year.

Activity 3.1 SB page 86

The following information regarding N4 Farming Enterprises for the month of March 2018 was given to students.

Instructions:

a) Open a Cash Receipts Journal with additional analysis columns for Sales and Rent income.
b) Open a Cash Payments Journal with additional analysis columns for Wages and Feed.
c) Enter the following transactions in the above-mentioned journals of N4 Farming Enterprises.
d) Close off the journals at the end of the month.

Transactions:

1 Me Four inherited the farm and made a capital contribution R1 200 000. Receipt 01 was issued to her.
3 Bought chicken feed from Epol and paid with cheque 001, R9 950.
4 Receive R12 000 from Small Time as part of the rental agreement.
Sales of R23 000 was recorded on the cash register roll from the farm shop.
7 Paid wages of R6 700 with cheque 002.
10 Sold culled chickens to Mr Bones for R1 300.
14 Paid cash wages, R4 200.
15 Rent received from Debbie for a flat she lives in on the farm, R2 500.
17 Paid the veterinarian R1 250 for medicines.
21 Paid cash wages, R4 650.
The owner buys a new TV for her daughter with a farm cheque, R11 000.
23 Paid Eskom R1 720 for electricity with a cheque.
28 Wages, amounting to R1 830 is paid cash.
Received R8 760 for chickens sold to a customer.

CASH RECEIPTS JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **CRJ 3**

Doc no.	Day	Particulars/Details	Analysis of receipts		Bank		Sales		Rent Income		Sundry Accounts			
											Amount		Fol.	Particulars/Details
01	1	Me Four	1 200 000	00	1200000	00					1200000	00	B1	Capital
02	4	Small Time	12 000	00					12000	00				
CRR		Sales	23 000	00	35000	00	23000	00						
03	10	Sales	1 300	00	1300	00	1300	00						
04	15	Debbie	2 500	00	2500	00			2500	00				
05	28	Sales	8 760	00	8760	00	8760	00						
					1247560	00	33060	00	14500	00	1200000	00		

CASH PAYMENTS JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **CPJ3**

Doc	Day	Beneficiary	Bank		Wages		Feed		Sundry Accounts			
									Amount		Fol.	Particulars / Details
001	3	Epol	9950	00			9950	00				
002	7	Cash	6700	00	6700	00						
003	14	Cash	4200	00	4200	00						
004	17	Vetenarian	1250	00					1250	00	N6	Medicines
005	21	Cash	4650	00	4650	00						
006		Me Four	11000	00					11000	00	B2	Drawings
007	23	ESKOM	1720	00					1720	00	N9	Electricity
008	28	Cash	1830	00	1830	00						
			41300	00	17380	00	9950	00	13970	00		

Activity 3.2 SB page 91

The following information regarding N4 Farming Enterprises for the month of March 2018 was given to students.

Instructions:

a) Open a Cash Receipts Journal with additional analysis columns for Sales and Debtors Control.
b) Open a Cash Payments Journal with additional analysis columns for Wages and Creditors Control.
c) Open a Sales Journal
d) Open a Purchases Journal with additional analysis columns for Feed and Fuel.
e) Enter the following transactions in the above-mentioned journals of N4 Farming Enterprises.
f) Close off the journals at the end of the month.

Date: Transactions:

1 Cash Sales according to the cash register roll, R3 775.
Paid the water and electricity to the Local Municipality by cheque 33, R1 702.
3 Received feed from Epol (C1) on credit, R3 950 (Renumbered to 199).
4 Bought coffee, tea and sugar (Refreshments) with a cash cheque from Spara, R250.
The owner, Mr. N4, took an R500 cheque to buy himself data for his phone.
6 Cashed a cheque to pay wages of R5 200.
7 Sent a cheque to Epol to settle the outstanding debt.
9 Cash sales according to the cash register roll, R4 285.
Sold produce on credit to Mr Pillay (D4), R78 000 (invoice 145).
13 Received a cheque from Mr. Pillay as partial settlement of his debt, R25 000. Issue receipt 07 to him.
Paid wages of R6 000.
14 Bought fuel from Erasmus Fuel (C2) for R32 500 on credit.
18 Sold goods to J du Toit (D1) on credit for R3 750.
20 Cashed a cheque to pay wages of R5 200.
Bought stationary from AAA Stationers and paid with a cheque, R780.
24 Cash received for goods sold according to the cash register roll, R4 695.
Issued a receipt to Mr. Pillay for a payment received on his outstanding debt, R12 000.

25 Sent a cheque to Erasmus Fuel to settle the outstanding debt.
26 Bought a new computer for the farm office on credit from Computer Maniac (C3), R7 540.
27 Paid cash wages of R4 800.
Received a cash payment from J du Toit as partial payment of her outstanding debt, R1 000.
28 Cashed a cheque for the cash float, R2 500.
29 Sent a cheque to U Bank. The cheque included interest on the loan of R500, and an instalment on the capital amount of R2 000.

CASH RECEIPTS JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **CRJ 3**

Doc no.	Day	Particulars/Details	Analysis of receipts	Bank	Sales	Trade Receivables Control	Sundry Accounts		
							Amount	Fol.	Particulars/Details
CRR	1	CASH SALES	3 775 00	3 775 00	3 775 00				
CRR	9	CASH SALES	4 285 00	4 285 00	4 285 00				
07	13	MR PILLAY	25 000 00	25 000 00		25 000 00			
CRR	24	CASH SALES	4 695 00		4 695 00				
08		MR PILLAY	12 000 00	16 695 00		12 000 00			
09	27	J DU TOIT	1 000 00	1 000 00		1 000 00			
				50 755 00	12 755 00	38 000 00			

CASH PAYMENTS JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **CPJ 3**

Doc no.	Day	Beneficiary	Bank	Wages	Trade Payables Control	Sundry Accounts		
						Amount	Fol.	Particulars / Details
33	1	LOCAL MUNICIPALITY	1 702 00			1 702 00		WATER AND ELECTRICITY
34	4	SPARA	250 00			250 00		REFRESHMENTS
35		MR N5	500 00			500 00		DRAWINGS
36	6	CASH	5 200 00	5 200 00				
37	7	OPOL	3 950 00		3 950 00			
38	13	CASH	6 000 00	6 000 00				
39	20	CASH	5 200 00	5 200 00				
40		AAA STATIONERS	780 00			780 00		STATIONARY
41	25	ERASMUS FUEL	32 500 00		32 500 00			
42	27	CASH	4 800 00	4 800 00				
43	28	CASH	2 500 00			2 500 00		CASH FLOAT
44	29	U BANK	2 500 00			500 00		INTEREST ON LOAN
						2 000 00		INSTALLMENT ON CAPITAL
			65 882 00	21 200 00	36 450 00	8 232 00		

PURCHASES JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **PJ 3**

Doc no.	Day	Creditor	Totoal Creditors	Feed	Fuel	Sundry Accounts		
						Amount	Fol	Particulars / Details
199	3	OPOL	3 950 00	3 950 00				
200	14	ERASMUS FUEL	32 500 00		32 500 00			
201	26	COMPUTER MANIAC	7 540 00			7 540 00		EQUIPMENT
			43 990 00	3 950 00	32 500 00	7 540 00		

SALES JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018

Doc no.	Day	Debtor	Fol.	Sales
145	9	MR PILLAY	D4	78 000
146	18	J DU TOIT	D1	3 750
				81 750

Activity 3.3 SB page 96

The following information in regard to the employees' wages of N4 Farming Enterprises for the week ended 6 July 2018 is given.

Students are to make use of the template in the workbook and execute the following instructions.

Enter the details of both employees in the wages journal of N4 farming enterprises to calculate the wages payable.

Complete the wage envelope of L du Plessis.

Wage information for the week ended 6 July 2018:
Normal hours are 40 hours for a week consisting of FIVE days. Monday to Friday, 8 hours per day.

L Stuurman worked as follow:
- **Monday 10 hours**
- **Wednesday 9 hours**
- **Thursday 6 hours**
- **Friday 10 hours**
- **On Tuesday she was sick.**

L du Plessis worked as follow:
- **Monday 8 hours**
- **Tuesday 12 hours**
- **Wednesday 9 hours**
- **Thursday 14 hours**
- **Friday 9 hours.**

Deductions

Employee	Dependents	Medical aid	Pension fund	PAYE	UIF
L Stuurman L du Plessis	2 1	R70 for the member and R50 each dependent	7.5% or normal wage.	25% of gross wages after the pension has been considered.	1% of normal wages

Employer's contribution:
Pension Fund – 40% of the contribution of the employee
UIF – R1,50 for each R1,00 contribution of the employee

Wage Journal of N4 Farming Enterprises for the week ended 6 July 2018 **WJ 27**

Employee	Normal time			Overtime			Gross Wage	Deductions				Total Deductions	Net Wage	Employers Contribution		
	Hours	Rate	Amount	Hours	Rate	Amount		Pension fund	Medical Aid	UIF	PAYE			Pension	UIF	Total
L Stuurman	30	45	1350	5	67,50	337,50	1687,50	101,25	170	13,50	312,19	596,94	1090,56	40,50	20,25	60,75
L du Plessis	40	40	1600	12	60	720	2320	120	120	16	550	806,00	1514,00	48	24	72
							4007,50	221,25	290	29,50	862,19	1402,94	2604,56	88,50	44,25	132,75

WAGE ENVELOPE

NAME: **L du Plessis** **AGE: 41**

WEEK ENDED: **8 July 2018** **EMPLOYEE NO: M461**

DEDUCTIONS	R	c	EARNINGS	Tariff	Hours	R	c
Medical Aid	120	00	Normal Time	40	40	1 600	00
Pension	120	00	Over time	60	12	720	00
PAYE	550	00	**TOTAL EARNINGS**			2 320	00
UIF	16	00	Less: Total deductions			(806	00)
TOTAL DEDUCTIONS	806	00	**NET WAGE**			1 514	00

Activity 3.4 — SB page 98

The following information regarding N4 Farming Enterprises for the month of March 2018 is given to students.

Instructions:
a) Make use of your *N4 Financial Management: Farming* workbook and open a Petty Cash Journal with additional analysis columns for Wages and Stationery.
b) Enter the following transactions in the above-mentioned journal of N4 Farming Enterprises.
c) Close off the journal at the end of the month.

Date: Transactions:
2 Bought pens from Waltona and pay from the petty cash, R153. Petty cash voucher 322.
5 A desk, bought from AAA furniture for R3 650, was delivered.
7 Paid the wages of T Khoza, the sheep shearer, R800.
8 Paid personal cell phone account of Ms Smith, owner, R1 050.
10 Paid Flower Power for flowers for the reception area, R300.
13 Bought the following from PP Shops:
Coffee and tea, R150.
Toilet paper, R86.
14 Paid the wages of the sheep shearer T Khoza, R 800.
19 Paid the post office R25 to send a parcel to Cape Town.

28 Bought staples, envelopes and pens from Waltona for R325.
30 Paid the internet from Boland Connections R450.

PETTY CASH JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2018 **PCJ 3**

Doc no.	Day	Particulars / Details	Petty Cash		Wages		Stationary		Sundry Accounts			
									Amount		Fol	Particulars / Details
322	2	Waltona Stationary	153	00			153	00				
323	5	AAA Furniture Equipment	3650	00					3650	00		Equipment
324	7	T Khoza Wages	800	00	800	00						
325	8	Me Smith Drawings	1050	00					1050	00		Drawings
326	10	Flower Power Flowers	300	00					300	00		Flowers
327	13	PP Shops	236	00					150	00		Coffee and tea (Refreshments)
									86	00		Toilet paper
328	14	T Khoza Wages	800	00	800	00						
329	19	Post Office Courier Cost	25	00					25	00		Courier Cost
330	28	Waltona Stationary	325	00			325	00				
331	30	Boland Connections Internet	450	00					450	00		Internet
			7789	00	1600	00	478	00	5711	00		

Activity 3.5 SB page 99

This activity involves a combination of journals.
The following transactions occurred in the books of FRUIT AND VEG FARMS during March 2019.

REQUIRED:
Enter the transactions in the Cash Receipts, Cash Payments, Sales Journal, Purchase Journal and Petty Cash Journal of FRUIT AND VEG FARMS.

NOTE: All journals need to be closed off.

ADDITIONAL INFORMATION:
On 1 January 2019 the owner, Siya, appointed a petty cashier to deal with the petty cash payments.

Money is deposited on 2, 19, 23 and 31 March 2019.

TRANSACTIONS: March 2019
1 The petty cashier received R2 000 from the chief cashier. Cheque no. 710.
  Receive fertilizer from Meedow on credit, R 50 000, invoice no. 145 (renumbered to 99)
2 Received R6 980 from Fruitree Guava for the rental of processing equipment.
  Receipt no. 20.
3 Paid water and electricity R75 400 to Manguang Municipality by cheque no. 711.
  Mr Pilkington bought produce from us on credit, R 22 000, invoice no. 3.
5 Bought fruit not in stock for a special customer, R404. Petty Cash voucher no. 001
7 Bought a Bakkie from Nissan and pay R440 660 by cheque no. 712.
9 Paid the traffic department for a licence, cheque no. 713, R570.

12 Paid CAN R195 for staples, Petty Cash voucher no. 002.
Receive an EFT payment from Mr Pilkington, R8 000, as partial payment of his account.
14 Withdrew R700, cheque no. 714 used as cash float.
15 Paid a casual worker R200 for cleaning the shop. Petty cash voucher no. 003.
19 Total cash sales according to the cash register roll, R70 450.
Sold produce to Corner Veg on credit, R3 000.
21 Received cheque from A Davids for R750 in settlement of her account.
The owner, Siya, contributed R860 000 to increase his capital. Receipt no. 23
22 Sent cheque no. 715 for R4 750 as partial settlement of our account to Multi Fruits.
Bought a new printer from Matello on credit, R6 500.
23 Received R3 500 for stock sold according to duplicate receipt no. 24.
26 Cashed cheque no. 716 for wages, R23 000.
28 Issued cheque no. 717 to Fix-It for R600 for repairs to the printer.
29 Goods of R83 000 sold according to the cash register roll.
31 Issue cheque no. 718 to Indian Fruits for boxes of pineapples, avocados and bananas bought, R90 000.

Issue cheque no. 719 to Telkom, R1 750. R750 was for the owner's personal telephone account.

Received R25 000 from ABSA Bank for interest on a fixed deposit.
Receipt no. 25.
Sold produce to Ackermann Traders on credit, R2 350.

Donated R5 000 to the Kagiso orphanage. Cheque no. 720

Issue a cheque to Meedow as payment of our outstanding account.
Receive R100 000 from Standing Bank as a loan. Issued a receipt.

CASH RECEIPTS JOURNAL OF N4 FARMING ENTEPRISES FOR MARCH 2019 **CRJ 3**

Doc no.	Day	Particulars/Details	Analysis of receipts		Bank		Sales		Trade and other Receivables		Sundry Accounts			
											Amount		Fol	Particulars / Details
20	2	Fruittree Guava	6980	00	6980	00					6980,00	00		Rent Income
21	12	Mr Pilkington	12000	00					12000	00				
CRR	19	Sales	70450	00	82450	00	70450	00						
22	21	A Davids	750	00					750	00				
23		Siya	860000	00							860000	00		Capital
24	23	Sales	3500	00	864250	00	3500	00						
CRR	29	Sales	83000	00			83000	00						
25	31	ABSA	25000	00							25000	00		Interest on Fixed deposit
26		Standing Bank	100000	00	208000	00					100000	00		Loan
					1161680	00	156950	00	12750	00	991980	00		

CASH PAYMENTS JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2019 **CPJ 3**

Doc no.	Day	Beneficiary	Bank		Wages		Trade and other payables		Sundry Accounts			
									Amount		Fol	Particulars / Details
710	1	Cash	2000	00					2000	00		Petty Cash
711	3	Manguang Municipality	75400	00					75400	00		Water and Electricity
712	7	Nissan	440660	00					440660	00		Vehicles
713	9	Traffic department	570	00					570	00		Lisence
714	14	Cash	700	00					700	00		Cash Float
715	22	Multi Fruits	4750	00			4750	00				
716	26	Cash	23000	00	23000	00						
717	28	Fix it	600	00					600	00		Repairs
718	31	Indian Fruits	90000	00					90000	00		Packaging Material
719		Telkom	1750	00					1000	00		Telephone
									750	00		Drawings
720		Kagiso Orphanage	5000	00					5000	00		Donation
721		Meedow	50000	00			50000	00				
			694430	00	23000	00	54750	00	616680	00		

SALES JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2019 **SJ3**

Doc no.	Day	Debtor	Fol	Sales	
3	3	Mr Pilkington		22000	00
4	19	Corner Veg		3000	00
5	31	Ackermann Traders		2350	00
				27350	00

PURCHASE JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2019 **PJ 3**

Doc no.	Day	CREDITOR	Creditors		Total Creditors		Fertilizer		Sundry Accounts			
									Amount		Fol	Particulars / Details
99	1	Meedow	50000	00	50000	00	50000	00				
100	22	Matello	6500	00	6500	00			6500	00		Equipment
			56500	00	56500	00	50000	00	6500	00		

PETTY CASH JOURNAL OF N4 FARMING ENTERPRISES FOR MARCH 2019 **PCJ 3**

Doc no.	Day	Particulars / Details	Petty Cash		Stationary		Wages		Sundry Accounts			
									Amount		Fol	Particulars / Details
001	5	Fruit	404	00					404	00		Fruit
002	12	CAN	195	00	195	00						
003	15	Casual Worker Wages	200	00			200	00				
			799	00	195	00	200	00	404	00		

Activity 3.6 SB page 100

The following journals were done incorrectly by an inexperienced accountant's clerk at N4 Farming Enterprises for the month of August 2019.

Cash Receipts Journal of N4 Farming Enterprises – August 2019

Doc no.	Day	Details	Analysis of receipts	Bank	Sales	Trade and other receivables	Sundry accounts
KO9	8	Paid water and lights Breede Valley Municipality	4 000				4 000
K10	9	Pesticides bought on credit from Agri	1200			1 200	
K11	10	Sold vegetables on credit to Springbok Deli	6 000		6 000		
K12	11	Bought a second-hand tractor from Du Toits Farming	13 500				13 500
K13	13	Paid creditor, Landini for spare parts	10 000	10 000			
K14	15	Paid Santam an insurance premium on tractor	2 000				2 000
K15	17	Cash sales for vegetables	18 000	18 000			

Cash Payments Journal of N4 Farming Enterprises – August 2019

DOC NO.	Day	Details of Payee	Bank	Production Supplies	Wages	Sundry Accounts
KB 1	1	Capital contribution by the owner, Mr Four	40 000			40 000
KB 2	2	Fertiliser bought on account at Agri	8 000	8 000		
KB 3	3	Insurance pay out by Santam	25 000		25 000	
KB 4	4	Cheque received form a debtor, Springbok Deli	10 000			10 000
KB 5	5	Cash sales of vegetables	6 000	6 000		
KB 6	6	Drawings by owner	7000			7 000
KB 7	7	Sold vegetables on credit to Fruit and Veg	2 000		2 000	

Purchase/Creditors Journal of N4 Farming Enterprises – August 2019

Doc no.	Day	Creditors	Total creditors	Production supplies	Sundry amounts
KJ 18	18	Paid wages	10 000		10 000
KJ 19	19	Sold vegetables on credit to Fruit and Veg	15 000	15 000	

Sales/Debtors Journal of N4 Farming Enterprises – August 2019

Doc nr	Day	Debtors	Sales	Production supplies	Sundry accounts
DJ22	22	Paid creditor, Cash Grow for production supplies	8 000	8 000	
DJ23	23	Took cash for household groceries	4 000		4000

1. Make use of your *N4 Financial Management: Farming* workbook and record the above entries correctly in the respective journals as follows:
   1.1 Cash Payments Journal
   1.2 Cash Receipts Journal
   1.3 Purchase/Creditors Journal
   1.4 Sales/Debtors Journal

CASH RECEIPTS JOURNAL OF N4 FARMING ENTERPRISES FOR THE AUGUST 2019 **CRJ**

Day	Particulars/Details	Analysis of receipts		Bank		Sales		Trade and other receivables		Sundry Accounts			
										Amount		Fol	Particulars / Details
1	Mr Four	40000	00	40000	00					40000	00		Capital
3	Santam	25000	00	25000	00					25000	00		Insurance
4	Springbok Deli	10000	00	10000	00			10000	00				
6	Verkope	6000	00	6000	00	6000	00						
17	Verkope	18000	00	18000	00	18000	00						
				99000	00	24000	00	10000	00	65000	00		

CASH PAYMENT JOURNAL OF N4 FARMING ENTEPRISES FOR AUGUST 2019 **CPJ**

Day	Beneficiary	Bank		Production Supplies		Wages		Sundry Accounts			
								Amount		Fol	Particulars / Details
5	Cash	7000	00					7000	00		Drawings
8	Breede Valley Municipality	4000	00					4000	00		water and electricity
11	Du Toits Farming	13500	00					13500	00		Vehicles
13	Landini	10000	00					10000	00		Creditors Control / Trade and other payables
15	Santam	2000	00					2000	00		Insurance
18	Cash	10000	00			10000	00		00		
22	Cash Grow	8000	00					8000	00		Creditors Control / Trade and other payables
23	Cash	4000	00					4000	00		Drawings
		58500	00	0	00	10000	00	48500	00		

PURCHASE JOURNAL OF N4 FARMING ENTERPRISES FOR AUGUST 2019 **CJ**

Day	CREDITOR	Total Creditors		Production Supplies		Sundry Accounts			
						Amount		Fol	Particulars / Details
2	Agri Boeremark	8000	00	8000	00				
9	Agri Boeremark	1200	00	1200	00				
		9200	00	9200	00				

SALES JOURNAL OF N4 FARMING ENTERPRISES FOR AUGUST 2019 SJ

Day	Debtor	Fol	Sales	
7	Fruit and Veg		2000	00
10	Springbok Deli		6000	00
19	Fruit and Veg		15000	00
			23000	00

Activity 3.7 **SB page 101**

This activity deals with wages.
Use the following information and complete the Wage Journal for the week ended 14 January 2019 for N4 Farming Enterprise's employees Harmse and von Mollendorff.

NOTE

All calculations must be rounded off to the nearest rand. Close off the journal.

INFORMATION:

- The normal hours are 40 hours for a week consisting of 6 days; Mondays to Fridays; 7 hours per day and Saturdays 5 hours.
- Harmse worked the following hours: Monday 7 hours, Tuesday 8 hours, Wednesday 9 hours, Thursday 7 hours and Friday 10 hours. On Saturday, she stayed home with no valid reason. (R34 per hour for normal time and R58 per hour for overtime.)
- Von Mollendorff worked the following hours: Monday 7 hours, Tuesday 9 hours, Wednesday 12 hours, Thursday 10 hours. On Friday. she attended her sister's funeral and on Saturday she arranged with Mr Four, the owner, to use Wednesday's extra hours for Saturday. (R51 per hour normal time, and R77 per hour overtime.
- Deductions

Employees	Dependants	Medical aid fund	Pension fund	PAYE	UIF
Harmse	1	R190 for the member and R125 for each dependant	7.75% of normal wage	25% of gross wage after pension has been taken into account	1% of normal wage
Von Mollendorff	2				

Abbreviations:
PAYE – Income tax
UIF – Unemployment Insurance Fund

Employer's contribution:
- Pension Fund – 52.65% of the contribution of the employee
- UIF – R1.00 for each R1.00 contributed by the employee

Wage Journal of N4 FARMING ENTERPRISES FOR THE WEEK ENDED 14 JANUARY 2019 **WJ**

Employee	Normal time			Overtime			Gross Wage	Deductions				Total Deductions	Net Wage	Employer Contribution		
	Hours	Rate	Amount	Hours	Rate	Amount		Pension	PAYE	UIF	Medical Aid			Pension	UIF	Total
Harmse	35	34	1190	6	58	348	1538	92	362	12	315	781	757	49	12	61
von Mollendorff	40	51	2040	5	77	385	2425	158	567	20	440	1185	1240	83	20	103
							3963	250	929	32	755	1966	1997	132	32	164

Module 4

Farm management information systems: The double-entry principle and an introduction to financial statements

After completing this module, students will be able to:

- explain the double entry principle and apply it practically with respect to GAAP principles and the accounting equation;
- explain:
  - the purpose of the bank ledger account
  - the structure of the ledger account, namely the different columns as well as the debit and credit side
  - the entering of the different transactions mentioned in the contents column directly from the source documents/journals into the ledger accounts
  - posting journals to ledger accounts
  - balancing and closing off accounts;
- describe and calculate the following concepts regarding income statements and apply them in practice:
  - the gross production value
  - production, marketing and administrative costs
  - the net farm income
  - remuneration to the providers of foreign capital
  - farm profit (loss)
  - the net worth of farm;
- describe and calculate the following concepts regarding Balance Sheets and apply them in practice:
  - current assets
  - investments
  - movable assets
  - fixed assets
  - current liabilities
  - medium-term liabilities
  - long-term liabilities.

Activity 4.1 SB page 106

Students had to analyse the following transactions of BB Farms according to the example below.

Example: Pay wages of permanent workers cash, R2 400.

No.	Source document	Account debited	Account credited	Assets	Equity	Liabilities
Ex.	Cheque Counterfoil	Wages	Bank	- 2 400	- 2 400	

1 The owner pays his children's school fees with a farm cheque, R980.
2 Bought new tools and pitch forks from Laser Tools for R42 000.
3 Paid the outstanding account at the local co-op, R1 240.
4 Received a cheque from G van Rooyen as payment for land rented, R12 000.
5 Bought stationary for the office from Boland Stationary, R250.
6 Paid the local mechanic R1 250 for servicing the farm truck.

Every single transaction, which included two or more 'things' (accounts) must have its own ledger account.

No.	Source document	Account debited	Account credited	Assets		Equity	Liabilities
1	Cheque counterfoil	Drawings	Bank	-980		-980	
2	Invoice	Equipment	Trade and other payables	+42000			+42000
3.	Cheque counterfoil	Trade and other payables	Bank	-1240			-1240
4.	Receipt	Bank	Rent Income	+12000		+12000	
5.	Cheque counterfoil	Stationary	Bank	-250		-250	
6	Receipt	Bank	Loans	+50000			+50000
7.	Invoice	Trade and other receivables	Sales	+15000		+15000	

Activity 4.2 SB page 110

Instructions:
Make use of your Financial Management: Farming N4 answer book, and complete the activity below:

Capital (B1), Drawings (B2), Vehicles (B4), Equipment (B5), Bank (B7), Sales (N1), Production means (N3), Electricity (N4), Wages (N5).

Transactions of Alpha Farms for the month of March 2017.

1 The owner of the farm, Alpha Dog, deposited R 500 000 directly into the bank account of the farm, as his capital contribution. Issue receipt 01 to him.
2 Purchase desks, chairs and electronic equipment for the office of the farm from AA Furniture and paid by cheque 001, R 27 000.
4 Bought prepaid electricity for the office from ESKOM, R 500.
Paid R 50 000 for production means bought from Argic Inc.
8 Purchased a bakkie from GCM for R 150 000 and paid by cheque.
9 Paid wages cash, R 25 000.
16 Received R 1 000 000 for produce sold to the local market.
25 The owner paid his children's' school fees by using the farms' cheque book, R 2 000.

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **BALANCE SHEET SECTION** **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 MAR	1	Bank		500000	00

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	25	Bank		2000	00						

DEBIT **CREDIT**

VEHICLES **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	8	Bank		150000	00						

DEBIT **CREDIT**

EQUIPMENT **B5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	2	Bank		27000	00						

DEBIT **CREDIT**

BANK **B7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	1	Capital		500000	00	2017 MAR	2	Equipment		27000	00
	16	Sales		1000000	00		4	Electricity		500	00
								Production Means		50000	00
							8	Vehicles		150000	00
							9	Wages		25000	00
							25	Drawings		2000	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

SALES **N1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 MAR	16	Bank		1000000	00

DEBIT **CREDIT**

PRODUCTION MEANS **N3**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	4	Bank		50000	00						

DEBIT **CREDIT**

ELECTRICITY **N4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	4	Bank		500	00						

DEBIT **CREDIT**

WAGES **N5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	9	Bank		25000	00						

Activity 4.3 **SB page 110**

This activity involves entering transactions directly in the General Ledger.

Instructions:
Make use of your Financial Management: Farming N4 workbook, and complete the activity below:

Capital (B1), Drawings (B2), Vehicles (B4), Bank (B7), Sales (N1), Wages (N5), Telephone (N6), Rent Expense 'Paid' (N7), Stationary (N8), Fertiliser (N9)

Transactions of TVET College Farms for the month of February 2017

1 A capital contribution was made by Tania Gaba, the owner of the farm, of R210 000.
3 Purchased a tractor from TATYO tractors for R60 000 and paid by cheque 01.
4 Paid R10 000 to the neighbour, Agmat van Dyk, as part of the rental agreement for a storeroom on his farm.
5 Received stationary from Moving Stationary and paid R1 000.
9 Bought fertiliser to be used in production from Khaya Fertilisers and paid by cheque, R35 000.
10 Paid R10 000 for an irrigation system installed by Water Boys.
11 Cash sales of produce from the farms shop, R17 000, according to the Cash Register Roll.

14 Paid Telkom R3 500 by cheque 07, for the telephone account.
19 The owner bought her son a new bakkie from Didac Motors, R200 000.
27 Cash received for produce sold to a wholesaler, R3 500.
28 Paid R15 000, for wages of the permanent staff.

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 FEB	1	Bank		210000	00

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	19	Bank		200000	00						

DEBIT **CREDIT**

VEHICLES **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	3	Bank		60000	00						

DEBIT **CREDIT**

BANK **B7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	1	Capital		210000	00	2017 FEB	3	Vehicles		60000	00
	11	Sales		17000	00		4	Rent expense		10000	00
	27	Sales		3500	00		5	Stationary		1000	00
							9	Fertilizer		35000	00
							10	Irrigation		10000	00
							14	Telephone		3500	00
							19	Drawings		200000	00
							28	Wages		15000	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

SALES **N1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 FEB	11	Bank		17000	00
							27	Bank		3500	00

DEBIT **CREDIT**

WAGES **N5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	28	Bank		15000	00						

DEBIT **CREDIT**

TELEPHONE **N6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	14	Bank		3500	00						

DEBIT **CREDIT**

RENT EXPENSE **N7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	4	Bank		10000	00						

DEBIT **CREDIT**

STATIONARY **N8**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	5	Bank		1000	00						

FERTILIZER										N9			
Date		Details	Fol.	Amount		Date		Details		Fol.	Amount		
2017 FEB	9	Bank		35000	00								

Enrichment exercise

SB page 112

Students had to make use of the journals provided and post it over to the General Ledger in their *N4 Financial Management: Farming* workbook.

CASH RECEIPTS JOURNAL OF N5 FARMING ENTERPRISES FOR MARCH 2018 — **CRJ 3**

Doc no.	Day	Particulars/Details	Analysis of receipts		Bank		Sales		Trade and other Receivables		Sundry Accounts			
											Amount		Fol.	Particulars/Details
CRR	1	CASH SALES	3 775	00	3 775	00	3 775	00						
CRR	9	CASH SALES	4 285	00	4 285	00	4 285	00						
07	13	MR PILLAY	25 000	00	25 000	00			25 000	00				
CRR	24	CASH SALES	4 695	00			4 695	00						
08		MR PILLAY	12 000	00	16 695	00			12 000	00				
09	27	J DU TOIT	1 000	00	1 000	00			1 000	00				
					50 755	00	12 755	00	38 000	00				

CASH PAYMENTS JOURNAL OF N5 FARMING ENTERPRISES FOR MARCH 2018 — **CPJ 3**

Doc no.	Day	Beneficiary	Bank		Wages		Trade and other payables		Sundry Accounts			
									Amount		Fol.	Particulars / Details
33	1	LOCAL MUNICIPALITY	1 702	00					1 702	00		WATER AND ELECTRICITY
34	4	SPARA	250	00					250	00		REFRESHMENTS
35		MR N5	500	00					500	00		DRAWINGS
36	6	CASH	5 200	00	5 200	00						
37	7	OPOL	3 950	00			3 950	00				
38	13	CASH	6 000	00	6 000	00						
39	20	CASH	5 200	00	5 200	00						
40		AAA STATIONERS	780	00					780	00		STATIONARY
41	25	ERASMUS FUEL	32 500	00			32 500	00				
42	27	CASH	4 800	00	4 800	00						
43	28	CASH	2 500	00					2 500	00		CASH FLOAT
44	29	U BANK	2 500	00					500	00		INTEREST ON LOAN
									2 000	00		INSTALLMENT ON CAPITAL
			65 882	00	21 200	00	36 450	00	8 232	00		

PURCHASES JOURNAL OF FARMING ENTERPRISES FOR MARCH 2018 **CJ 3**

Doc no.	Day	Creditor	Total Creditors		Feed		Fuel		Sundry Accounts			
									Amount		Fol	Particulars / Details
199	3	OPOL	3 950	00	3 950	00						
200	14	ERASMUS FUEL	32 500	00			32 500	00				
201	26	COMPUTER MANIAC	7 540	00					7 540	00		EQUIPMENT
			43 990	00	3 950	00	32 500	00	7 540	00		

SALES JOURNAL OF N5 FARMING ENTERPRISES FOR MARCH 2018 **DJ 3**

Doc no.	Day	Debtor	Fol.	Sales	
145	9	MR PILLAY	D4	78 000	00
146	18	J DU TOIT	D1	3 750	00
				81 750	00

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **CREDIT**

BANK **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 MAR	31	Total Receipts	CRJ	50 755	00	2017 MAR	31	Total Payments	CPJ	65 882	00

DEBIT **CREDIT**

TRADE AND OTHER RECEIVABLES **B5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 MAR	31	Bank	CPJ	36 450	00	2018 MAR	31	Total Creditors	PJ	43 990	00

DEBIT **CREDIT**

TRADE AND OTHER RECEIVABLES **B6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 MAR	31	Total Debtors/ Total Sales	SJ	81 750	00	2018 MAR	31	Bank	CRJ	38 000	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

SALES **N1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2018 MAR	31	Bank	CRJ	12 755	00

DEBIT **CREDIT**

WAGES **N3**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2018 MAR	31	Bank	CPJ	21 200	00						

Activity 4.4 SB page 114

Instructions:
Make use of your Financial Management: Farming N4 answer book, and complete the activity below:

Capital (B1), Drawings (B2), Vehicles (B4), Equipment (B5), Bank (B7), Sales (N1), Production means (N3), Electricity (N4), Wages (N5).

Transactions of Alpha Farms for the month of March 2017.

1 The owner of the farm, Alpha Dog, deposited R 500 000 directly into the bank account of the farm, as his capital contribution. Issue receipt 01 to him.
2 Purchase desks, chairs and electronic equipment for the office of the farm from AA Furniture and paid by cheque 001, R 27 000.
4 Bought prepaid electricity for the office from ESKOM, R 500.
Paid R 50 000 for production means bought from Argic Inc.
8 Purchased a bakkie from GCM for R 150 000 and paid by cheque.
9 Paid wages cash, R 25 000.
16 Received R 1 000 000 for produce sold to the local market.
25 The owner paid his children's' school fees by using the farms' cheque book, R 2 000.

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **BALANCE SHEET SECTION** **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 MAR	1	Bank		500000	00

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **BALANCE SHEET SECTION** **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 MAR	1	Bank		500000	00

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	25	Bank		2000	00						

DEBIT **CREDIT**

VEHICLES **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	8	Bank		150000	00						

DEBIT **CREDIT**

EQUIPMENT **B5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	2	Bank		27000	00						

DEBIT **CREDIT**

BANK **B7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	1	Capital		500000	00	2017 MAR	2	Equipment		27000	00
	16	Sales		1000000	00		4	Electricity		500	00
								Production Means		50000	00
							8	Vehicles		150000	00
							9	Wages		25000	00
							25	Drawings		2000	00
							31	Balance	c/o	1245500	00
				1500000	00					1500000	00
2017 APR	1	Balance	b/d	1245500	00						

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

SALES						N1					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 MAR	16	Bank		1000000	00

DEBIT **CREDIT**

PRODUCTION MEANS						N3					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	4	Bank		50000	00						

DEBIT **CREDIT**

ELECTRICITY						N4					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	4	Bank		500	00						

DEBIT **CREDIT**

WAGES						N5					
Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 MAR	9	Bank		25000	00						

Activity 4.5 **SB page 114**

This activity involves entering transactions directly in the General Ledger.

Instructions:
Make use of your Financial Management: Farming N4 workbook, and complete the activity below:

Capital (B1), Drawings (B2), Vehicles (B4), Bank (B7), Sales (N1), Wages (N5), Telephone (N6), Rent Expense 'Paid' (N7), Stationary (N8), Fertiliser (N9)

Transactions of TVET College Farms for the month of February 2017

1 A capital contribution was made by Tania Gaba, the owner of the farm, of R210 000.
3 Purchased a tractor from TATYO tractors for R60 000 and paid by cheque 01.
4 Paid R10 000 to the neighbour, Agmat van Dyk, as part of the rental agreement for a storeroom on his farm.
5 Received stationary from Moving Stationary and paid R1 000.
9 Bought fertiliser to be used in production from Khaya Fertilisers and paid by cheque, R35 000.
10 Paid R10 000 for an irrigation system installed by Water Boys.
11 Cash sales of produce from the farms shop, R17 000, according to the Cash Register Roll.
14 Paid Telkom R3 500 by cheque 07, for the telephone account.

19 The owner bought her son a new bakkie from Didac Motors, R200 000.
27 Cash received for produce sold to a wholesaler, R3 500.
28 Paid R15 000, for wages of the permanent staff.

GENERAL LEDGER OF FARMING ENTERPRISES

DEBIT **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 FEB	1	Bank		210000	00

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	19	Bank		200000	00						

DEBIT **CREDIT**

VEHICLES **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	3	Bank		60000	00						

DEBIT **CREDIT**

BANK **B7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	1	Capital		210000	00	2017 FEB	3	Vehicles		60000	00
	11	Sales		17000	00		4	Rent expense		10000	00
	27	Sales		3500	00		5	Stationary		1000	00
	28	Balance	c/o	104000	00		9	Fertilizer		35000	00
							10	Irrigation		10000	00
							14	Telephone		3500	00
							19	Drawings		200000	00
							28	Wages		15000	00
				334500	00					334500	00
						2017 MAR	1	Balance	b/d	104000	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

SALES **N1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2017 FEB	11	Bank		17000	00
							27	Bank		3500	00
										20500	00

DEBIT **CREDIT**

WAGES **N5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	28	Bank		15000	00						

DEBIT **CREDIT**

TELEPHONE **N6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	14	Bank		3500	00						

DEBIT CREDIT

RENT EXPENSE N7

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	4	Bank		10000	00						

DEBIT CREDIT

STATIONARY N8

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	5	Bank		1000	00						

FERTILIZER N9

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 FEB	9	Bank		35000	00						

Activity 4.6 SB page 116

Make use of the Trial Balance below of TVET College Farms and follow the instructions.

Instructions:

1. From the Trial Balance, open all the **necessary** accounts in the books of TVET College Farms.
2. Enter all the transactions in the General Ledger Accounts.
3. Balance all accounts at the end of the month.

TVET COLLEGE FARMS			
TRIAL BALANCE ON 31 MARCH 2017			
	FOL.	**DEBIT**	**CREDIT**
Balance sheet Section			
Capital	B1		982 387
Drawings	B2	15 206	
Equipment	B3	139 233	
Vehicles	B4	300 000	
Bank	B5	319 992	
Trade and other Receivables	B6	32 862	
Trade and other Payables	B7		4 241
Nominal Accounts Section			
Sales	N1		27 116
Rent expense	N2	184 603	
Salaries	N3	9 402	
Electricity	N4	1 954	
Production Supplies	N5	6 684	
Telephone	N6	3 808	
		1 013 744	1 013 744

Transactions-APRIL 2017

2 Pay P. Pilkington, a creditor, R 4 034 with cheque 11.
3 Pay the rent of the land to the amount of R 5000 to AD Properties with cheque 12.
4 Pay Rawsonville Agri with cheque 13 for Production Supplies received valued at R46 274.
12 Pay the telephone bill of R 6 356 to Telkom by cheque 14.
15 Receive R 20 063 from a debtor, E du Plessis, and hand him receipt RE1.
22 Buy a bakkie from Actiona Ford for R 285 000 and pay by cheque.
28 V Uys (the owner) pays his personal Telkom telephone bill amounting to R 3 500 with a business cheque.
30 Pay D Matthee his salary of R 10 000 with cheque.

GENERAL LEDGER OF FARMING ENTERPRISES
BALANCE SHEET ACCOUNT SECTION

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	15 206	00						
	28	Bank		3500	00						
				18706	00						

DEBIT **CREDIT**

VEHICLES **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	300000	00						
	22	Bank		285000	00						
				585000	00						

DEBIT **CREDIT**

BANK **B5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	319992	00	2017 APR	2	Trade and other Payables		4034	00
	15	Trade and other Receivables		20063	00		3	Rent Expense		5000	00
	30	Balance	c/o	20109	00		4	Production Supplies		46274	00
							12	Telephone		6356	00
							22	Vehicles		285000	00
							28	Drawings		3500	00
							30	Salaries		10000	00
				360164	00					360164	00
						2017 MAY	1	Balance	b/d	20109	00

TRADE AND OTHER RECEIABLES **B6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	32862	00	2017 APR	15	Bank		20063	00
							30	Balance	c/o	12799	00
				32862	00					32862	00
2017 MAY	1	Balance	b/d	12799	00						

DEBIT **CREDIT**

TRADE AND OTHER PAYABLES **B7**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	2	Bank		4034	00	2017 APR	1	Balance	b/d	4241	00
	30	Balance	c/o	207	00						
				4241	00					4241	00
						2017 MAY	1	Balance	b/d	207	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

RENT EXPENSE **N2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	184603	00						
	3	Bank		5000	00						
				189603	00						

DEBIT **CREDIT**

SALARIES **N3**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	9402	00						
	30	Bank		10000	00						
				19402	00						

DEBIT **CREDIT**

PRODUCTION SUPPLIES **N5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	6684	00						
	4	Bank		46274	00						
				52958	00						

DEBIT **CREDIT**

TELEPHONE **N6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2017 APR	1	Balance	b/d	3808	00						
	12	Bank		6356	00						
				10164	00						

Activity 4.7 SB page 117

1. Students used the Trial Balance below to open the necessary accounts in the General Ledger and record the transactions of Bangileswe Farms.
2. Balance the accounts at the end of the month.

Bangileswe Farms

TRIAL BALANCE ON 30 JUNE 2010

		Fol.	DEBIT		CREDIT	
	BALANCE SHEET SECTION					
	Capital	B1			350 000	00
	Drawings	B2	6000	00		
	Equipment	B3	120 000	00		
	Bank	B4	112 620	00		
	NOMINAL SECTION					
	Sales	N1			116 000	00
	Production Supplies	N2	20 000	00		
	Water and Electricity	N3	5 000	00		
	Wages	N4	190 200	00		
	Stationary	N5	4 680	00		
	Maintenance	N6	7 500	00		
			466 000	00	466 000	00

Transactions for July 2010:

4 Bought equipment worth R125 000 from Agriquip and paid by cheque.
12 Paid the municipality R4 350 for water and electricity by cheque.
21 Paid R15 000 wages by cheque.
The owner makes an additional capital contribution of R50 000.
22 Bought stationary worth R398 and paid by cheque.
24 Paid the internet by cheque, R1 150.
27 Bought Production supplies for R67 000 and paid by cheque.
30 The owner, Mrs BeeBee withdrew R10 000 by cheque to pay her child's studies.

GENERAL LEDGER OF FARMING ENTERPRISES
BALANCE SHEET ACCOUNTS SECTION

DEBIT **CREDIT**

CAPITAL **B1**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
						2010 JUL	1	Balance	b/d	350 000	00
							21	Bank		50 000	00
										400 000	00

DEBIT **CREDIT**

DRAWINGS **B2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	6000	00						
	30	Bank		10 000	00						
				16 000	00						

DEBIT **CREDIT**

EQUIPMENT **B3**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	120 000	00						
	4	Bank		120 000	00						
				240 000	00						

DEBIT **CREDIT**

BANK **B4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	112 620	00	2010 JUL	4	Equipment		120 000	00
	21	Capital		50 000	00		12	Water & Electricity		4 350	00
	31	Balance	c/o	55 278	00		21	Wages		15 000	00
							23	Stationary		398	00
							24	Internet		1 150	00
							27	Production Supplies		67 000	00
							30	Drawings		10 000	00
				217 898	00					217 898	00
						2010 AUG	1	Balance	b/d	55 278	00

NOMINAL ACCOUNTS SECTION

DEBIT **CREDIT**

PRODUCTION SUPPLIES **N2**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	20 000	00						
	27	Bank		67 000	00						
				87 000	00						

DEBIT **CREDIT**

WATER & ELECTRICITY **N3**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	5 000	00						
	12	Bank		4 350	00						
				9 350	00						

DEBIT **CREDIT**

WAGES **N4**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	190 200	00						
	21	Bank		15 000	00						
				205 200	00						

DEBIT **CREDIT**

STATIONARY **N5**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	1	Balance	b/d	4 680	00						
	23	Bank		398	00						
				5 078	00						

DEBIT **CREDIT**

INTERNET **N6**

Date		Details	Fol.	Amount		Date		Details	Fol.	Amount	
2010 JUL	24	Bank		1 150	00						

Activity 4.8 SB page 120

Mr Uys's farm has a dairy branch and a vineyard branch. The following information is made available with regards to a particular financial year.

The expenses for the year were as follows:

Maintenance of the vehicles and implements	30 000
Vaccine for dairy cattle	20 000
Electricity	40 000
Maintenance of owner's beach house in Durban	10 000
Dairy cattle feeds bought from Limpopo Diary	50 000
Cash wages paid to workers	150 000
Fuel and lubricants	60 000
Packaging for milk	160 000
Rental of neighbour's land	10 000
Interest paid on loan	11 000

Sales of products during the year

Weaned calves sold for meat	50 000
Grapes delivered to wine cellar	150 000
Culled cows sold at auction	70 000
Milk delivered but still awaiting the cash	15 000
Milk sold to Shoprite supermarket for cash	250 000

Value of the stock at the beginning of the year:

Packaging material for milk	4 000
Fuel	5 000
Culled cows	70 000
Producing cows	200 000

Value of the stock at the end of the year:

Packaging material for milk	250 000
Fuel	3 000
Culled cows	15 000
Producing cows	250 000

Other information provided:

Milk for labourers' rations	5 000
Cows slaughtered for workers	14 000
Milk for the household	4 000
Insurance paid for stolen cows	7 000

Instructions:
Calculate the following showing all the calculations and formulae where applicable:
1.1 The GPV of the dairy branch
1.2 The GPV of the vineyard branch
1.3 The GPV of the farm as a whole
1.4 The cost of labour
1.5 The cost of fuel

1.1

Weaned calves sold for meat	50 000
Culled cows sold at auction	70 000
Milk delivered but still awaiting the cash	15 000
Milk sold to Shoprite supermarket for cash	25 0000
Milk for the household	4 000
Milk for labourers	5 000
Cow slaughtered for workers	14 000
Insurance paid for stolen cows	7 000
Closing stock Culled cows	15 000
Closing stock Producing cows	250 000
Opening stock -culled cows	(70 000)
Opening stock- Producing cows	(200 000)
	410 000

1.2

Grapes delivered to wine cellar	150 000
	150 000

1.3

TOTAL GPV = GPV of Livestock + GPV of vineyards
= 410 000 + 150 000
= R560 000

1.4

Cost of labour

Cash wages paid to workers	150000
Milk rations	5000
Cows slaughtered for workers	14000
	169000

1.5

Cost of fuel for the year

Opening stock	5 000
Purchases	60 000
Closing stock	(3 000)
	62 000

1.6

Rental of neighbour's land	10 000
Interest paid on loan	11 000
	21 000

Activity 4.9 SB page 122

The following information regarding Opstal Pig Farm's financial year from 1 July 2014 to 30 June 2015 is made available to you. The farm produces pigs and potatoes.

Breeding sow bought from the neighbour on credit	5 000
Pigs sold to butcher – cash not received	50 000
Pigs sold at auction	250 000
Suckling pigs donated to school for agricultural project	6 000
Pigs died as a result of heatwave	4 000
Four pigs slaughtered for household use	4 000
Pigs slaughtered as rations for workers	12 000
Value of pigs at beginning of year	770 000
Value of pigs at end of year	790 000

Value of stud boars at beginning of year	120 000
Value of stud boars at end of year	140 000
Feed stock at beginning of year	25 000
Feed at end of year	20 000
Potatoes sold	550 000
Potatoes given to labourers as rations	12 000
Fertiliser bought for potatoes	7 600
Seed potatoes bought	10 700
Wages paid to permanent labourers	86 000
Wages for seasonal workers	12 000
Interest on loans	5 400
School fees for owner's children	3 600
Repairs to owner's holiday home	8 000
Depreciation on equipment	23 000
Depreciation on buildings	13 000
Sundry farming expenses	29 000
Valuation of all assets at the **beginning** of the year	2 200 000
Total debt at **end** of year	120 500

The following information regarding Opstal Pig Farm's financial year from 1 July 2014 to 30 June 2015 is made available to you. The farm produces pigs and potatoes.

Breeding sow bought from the neighbour on credit	5 000
Pigs sold to butcher – cash not received	50 000
Pigs sold at auction	250 000
Suckling pigs donated to school for agricultural project	6 000
Pigs died as a result of heat wave	4 000
Four pigs slaughtered for household use	4 000
Pigs slaughtered as rations for workers	12 000
Value of pigs at beginning of year	770 000
Value of pigs at end of year	790 000
Value of stud boars at beginning of year	120 000
Value of stud boars at end of year	140 000
Feed stock at beginning of year	25 000
Feed at end of year	20 000
Potatoes sold	550 000
Potatoes given to labourers as rations	12 000
Fertilizer bought for potatoes	7 600
Seed potatoes bought	10 700
Wages paid to permanent labourers	86 000
Wages for seasonal workers	12 000

Interest on loans	5 400
School fees for owner's children	3 600
Repairs to owner's holiday home	8 000
Depreciation on equipment	23 000
Depreciation on buildings	13 000
Sundry farming expenses	29 000
Valuation of all assets at the beginning of the year	2 200 000
Total Debt at end of year	120 500

Instructions:
Calculate the following, showing all calculations and formulae. A string of numbers will not be acceptable. Also answer any questions.

1.1 The GPV of the pig branch
1.2 The GPV of the potato branch
1.3 The GPV of the farm as a unit
1.4 Which items in the above list do not belong in the Income Statement?
1.5 The cost of labour for the year
1.6 The cost of feed for the year
1.7 Calculate the total production, marketing and administration costs for the year
1.8 Calculate the net farm income
1.9 Calculate the farm profit
1.10 What does the farm profit represent?

1.1

Pig branch		
Breeding sow bought from neighbour	-5 000	
Pigs sold to butchery; money not received yet	50 000	
Pigs sold at auction	250 000	
Suckling pigs donated to school	6 000	
Four pigs slaughtered for household use	4 000	
Pigs slaughtered as rations for employees	12 000	
Value of pigs at the beginning of the year	-770 000	
Value of pigs at the end of the year	790 000	
Value of stud bores at the beginning of the year	-120 000	
Value of stud bores at the end of the year	**140 000**	357 000

1.2

Potato branch		
Potatoes sold	550 000	
Potatoes given to employees as rations	12 000	562 000

1.3

Pig branch		357 000
Potato branch		562 000
Total GPV		919 000

1.4

Interest on loans
School fees for owner's children
Repairs to owner's holiday home

1.5

Cost of labour		
Pigs slaughtered as rations for employees	12 000	
Potatoes given to employees as rations	12 000	
Wages to permanent employees	86 000	
Wages to temporary employees	12 000	122 000

1.6

Cost of feed		
Feed purchases for the year	50 000	
Feed at the beginning of the year	25 000	
Feed at the end of the year	-20 000	55 000

1.7

Cost of labour	122 000	
Cost of feed	55 000	
Fertiliser for potatoes	7 600	
Seed potatoes bought	10 700	
Depreciation on equipment	23 000	
Depreciation on buildings	13 000	
Other farming expenses	29 000	
Total Production, Marketing and Admin costs		260 300

1.8

NFI = Total GPV – Total Production, Marketing and Admin cost
= R919 000 – R260 300
= R 658 700

1.9

FP = NFI – Remuneration to providers of foreign capital
= NFI – (interest + rented land and equipment)
= R658 700 - (R5 400 + R0)
= R 653 300

1.10
Farm Profit is the remuneration to the farmer for his/her capital, labour and entrepreneurship.

Activity 4.10 SB page 124

1. What are the alternative names for the following?
   – Current assets
   Short term assets

   – Movable assets
   Medium term assets

   – Fixed assets
   Long term assets/non-current assets

2. Why does a farming enterprise buy fixed assets?
   Long lifespan and used in the production process.

3. Tax paid upfront for the next year, is called .....
   Current asset

4. Give TWO examples of current assets.
   Any TWO of the following:
   - Cash (In the bank, in the safe, in the cash register etc.)
   - Debtors (People who owe the farming enterprise money)
   - Input VAT (Value Added Tax).
   - Production supplies (Goods that were bought throughout the year, but is still left over on the farm at the end of the year and will be used in the production process within the next 12 months, like fertilizer, fuel etc.)
   - Finished products (Grapes already picked and packaged, ready to be sold etc.)
   - Semi-finished products (Grapes ready to be picked, but still on the vineyard etc.)
   - Accounts/Expenses paid in advance (Electricity bill already paid for next month etc.)
   - Short-term investments (Invest money in a 30 day account to earn interest etc.)

5. Give TWO examples of fixed assets.
   - Land (usually an unlimited lifespan)
   - Fixed improvements (Sheds, kraals, fences, dams, houses on the farm etc.)

6. Name FOUR types of investments for a farming enterprise.
   - Fixed deposits
   - Shares in other companies and co-operatives
   - Money paid into levy funds, deferred bonus payment funds etc.
   - All interests on loans, calculated and paid for in advance.

7. Name the groups in which liabilities are grouped in the balance sheet, as well as their alternative names.
   - Current liabilities / short term liabilities
   - Medium term liabilities
   - Long term liabilities / non-current liabilities

8. Which groups of liabilities are considered to be debt?
   - Current liabilities
   - Medium term liabilities
   - Long term liabilities

9. Name the repayment terms of the three above mentioned liabilities.
   - Current liabilities – next 12 months
   - Medium term Liabilities – 1 – 10 years
   - Long term liabilities – 10 – 30 years

Activity 4.11 SB page 125

The following information is made available to students about Mrs Marais's farm as at 28 February 2021:

Description:
Value of the land at a conservative market value
Petty Cash
Land rented or hired
Value of the extension of the milk shed
Tools and implements at market value
Toyota truck at market value
Value of breeding and dairy herds
Paid-up capital in cooperative shares
Interest in cooperative members' levy fund
Slaughter lambs ready for sale
Debtors
Input VAT
Creditors
Electricity account from Eskom for August 2019 is still in arrears
Money in an ordinary savings account
Cheque received for commercial lambs sold but not banked yet

Lease agreement at Landbank
School fees paid for three children
Fixed deposit at ABSA Bank
Diesel fuel in stock
Provision for income tax
VAT due to SARS
Provision for payment of auditors
Repayment agreement at Standard Bank for the tractor
Fertiliser purchased but not used
Kraals and fences

Use the above information to answer the questions below:
1.1 List FIVE current assets from the list above.
1.2 List THREE financial assets (investments) from the list above.
1.3 Identify THREE moveable assets from the list above.
1.4 Explain the term 'fixed asset' and give TWO examples from the list above.
1.5 Provide THREE current liabilities from above-mentioned information.

1.1 Any FIVE of the following:
- Petty Cash
- Slaughter lambs ready for sale
- Debtors
- Money in ordinary savings account
- Cheque received for commercial lambs sold but not banked yet.
- Diesel fuel in stock
- Fertiliser purchased but not used

1.2 • Interest in cooperative members' levy fund
- Fixed deposit at Absa Bank
- Paid up Capital in cooperative shares

1.3 • Tools and implements at market value
- Toyota truck at market value
- Value of breeding and dairy herds

1.4 These assets are known as long-term assets or non-current assets. They have a very long life expectancy, usually longer than 10 year, and are also used in the production process.
Any TWO of the following examples:
- Value of the extension of milk shed
- Value of land at a conservative market value.
- Kraals and fences

1.5 Any THREE of the following:
- Creditors
- Electricity account of Eskom for August is still in arrears
- Vat due to SARS
- Provision for income tax
- Provision for payment of auditors

Activity 4.12 SB page 126

1. Choose the terminology from COLUMN B that matches a description in COLUMN A. Write only the letter (A – I) next to the question number (1.1.1– 1.1.5) in your workbook.

	COLUMN A	COLUMN B	
1.1	The difference between the value of current assets and the current liabilities.	A	Capital structure
		B	Investment
1.2	Assets minus the liabilities of the farm.	C	Movable assets
		D	Long-term liabilities
1.3	Assets that are used in the process to produce other assets that can be sold.	E	Net current assets
		F	Fixed assets
1.4	Debt that must be paid back within one year.	G	Current liability
		H	Asset structure
1.5	Debts that are repayable over a period longer than 10 years.	I	Owner's equity

2. The following information is applicable to a certain farming enterprise as on 28 February 2019.
   At the stated date, the values of the assets of the farming enterprise were as follows:

Product	Value (R)
Herbicide in stock	1 000
Land	900 000
Fixed improvements	200 000
Ewes for breeding	24 000
Slaughter lambs ready for sale	15 000
Isuzu 5-tonne truck	25 000
Diesel in tank	5 000
Wool in stock, still to be sold	3 000
GWM bakkie	15 000

Further information on the farming enterprise as on 28 February 2019:
- The herbicide stock is still on account at Kaap Agri for the same amount.
- BKB still owes the farmer R3 000 for slaughter lambs sold to BKB.
- The cash book shows a favourable bank balance of R10 000 at Standard Bank.
- Balance of bond at Nedbank is R90 000.
- There is a monetary reserve on fixed deposit at Capitec bank for R20 000.
- The repayment agreement at Wesbank for the truck is R20 000.
- The Water Board account is in arrears with R2 000.
- The Eskom account is paid in advance, R5 000.
- The market value of the rented cultivated land is R200 000.
- Wages over the year amounted to R150 000.

Instructions:
Make use of the information above, and calculate the following:

2.1 Current liabilities
2.2 Medium-term liabilities
2.3 Long-term liabilities
2.4 Total liabilities (Total debt)
2.5 Current assets
2.6 Investments
2.7 Movable assets
2.8 Fixed assets
2.9 Total assets
2.10 Total equity and liabilities
2.11 Net worth
2.12 Total capital employed.

1.2.1

Current Liabilities / Bedryfslaste	
Outstanding account - Herbicides	1 000
Account in arrears –Water board	2 000
	3 000

1.2.2

Medium term liabilites	
Instalment Lease agreement – wesbank	20 000
	20 000

1.2.3

Long-term Liabilities	
Mortgage bond	90 000
	90 000

1.2.4

Total Debt = 3 000 + 20 000 + 90 000
= R 113 000

1.2.5

Current Assets	
Herbicide in store	1 000
Slaughter lambs ready for sale	15 000
Wool in stock	3 000
Debtors	3 000
Cash	10 000
Account paid in advance - Eskom	5 000
Diesel in tank	5 000
	42 000

1.2.6

Investment and other	
Fixed deposit – Capitec	20 000
	20 000

1.2.7

Moveable assets	
Ewes for breeding	24 000
Isuzu truck	25 000
GWM bakkie	15 000
	64 000

1.2.8

Fixed assets	
Land	900 000
Fixed improvements	200 000
	1 100 000

1.2.9

Total Assets = 42 000 + 20 000 + 64 000 + 1 100 000
= **R 1 226 000**

1.2.10

The same answer as 1.2.9.
R 1 226 000

1.2.11

Net Worth = Total assets or Total Equity and liabilities – Total Debt
= 1 226 000 – 113 000
= R 1 113 000

1.2.12

Total Capital employed = Total assets + Value of rented land and equipment
= 1 226 000 + 200 000
= R 1 426 000

Summative assessment

SB page 127

The following assessment draws on a combination of the Income Statement and Balance Sheet.

1. The following information about Choo Choo farms is made available to you. The farm manager needs your help.

Information	Value (R)
Own land purchased	1 500 000
Rotary dairy parlour	500 000
Dairy herd	300 000
Input VAT	40 000
Credit balance at the electricity supplier	2 400
Outstanding instalment sales agreement @ JUSTBANK	151 000
Overdraft @ JUSTBANK	11 000
Cost of the sports tour of the farmer's children	47 500
Outstanding account @ the fertiliser supplier, JUSTGIF	5 000
32-day notice fixed deposit @ JUSTBANK	2 000
Mortgage loan @ JUSTBANK	400 000
Short-term investment with AgriLoans	50 000
Dairy cows sold throughout the year	4 000
Value of land rented from Big Brother	1 000 000

Make use of the information above, and answer the following questions:

1.1 Determine the value of the current assets of this farm. (4)
1.2 What is the value of this farm's debt? (5)
1.3 Determine the total capital employed. (9)

2. Read the financial information of LUSHEEP farm for the financial year ended 31 March 2017.

Information	Value (R)
Other farming expenses	18 000
Electricity paid	100 000
Maintenance of movable assets	70 000
Value of sheep at the beginning of the year	500 000
Value of sheep at the end of the year	540 000
Wool stock at the beginning of the year	60 000
Wool stock at the end of the year	21 000
Sheep slaughtered as rations	8 000
Sheep slaughtered for household use	5 000
Wool sold to clothing company	60 000
Sheep sold, but the money is still outstanding	260 000

Veterinary costs, including medicines	40 000
Depreciation on movable assets	64 000
Wages paid to permanent workers	96 000
Ewes bought on credit	20 000
Fuel purchased throughout the year	24 000
Lucerne fed to sheep	60 000
Lucerne sold	320 000
Fuel stock at the end of the year	4 000
Fuel stock at the beginning of the year	8 000
Interest paid on loans	30 000
Rental paid for land	40 000

Making use of the information provided, to calculate the following:
2.1 The GPV of the sheep branch (11)
2.2 The cost of fuel for the year (4)
2.3 The net farming income (14)
2.4 What did this farm pay as remuneration to providers of foreign capital during this financial year? (3)

Total: 50 marks

Current Assets
Input VAT 40 000
Credit balance at the electricity supplier 2 400
32 day notice fixed deposit @ JUSTBANK 2 000
Short term investment with AgriLoans 50 000
Total R 94 400

Total Debt
Outstanding instalment sales agreement @ JUSTBANK 151 000
Overdraft @ JUSTBANK 11 000
Outstanding account @ the fertilizer supplier JUSTGIF 5 000
Mortgage loan @ JUSTBANK 400 000
Total = R567 000

Total capital employed
Own land purchased 500 000
Rotary dairy parlour 500 000
Dairy herd 300 000
Input VAT 40 000
Credit balance at the electricity supplier 2 400
32 day notice fixed deposit @ JUSTBANK 2 000
Short term investment with AgriLoans 50 000
Value of land rented from Big Brother 1 000 000

Total = **R3 394 400**

2.1 GPV of Sheep branch

Sheep sold, but the money is still outstanding	260 000
Sheep slaughtered as rations	8 000
Sheep slaughtered for household use	5 000
Value of sheep at the end of the year	540 000
Ewes bought on credit	(20 000)
Value of sheep at the beginning of the year	(500 000)
Wool sold to clothing company	60 000
Wool stock at the beginning of the year	(60 000)
Wool stock at the end of the year	21 000
Total GPV	**314 000**

2.2 Cost of Fuel

Fuel purchased throughout the year	24 000
Fuel stock at the end of the year	(4 000)
Fuel stock at the beginning of the year	8 000
Fuel cost for the year	**28 000**

2.3 Net Farming Income

= GPV – Total Production, Marketing and admin costs
= (314 000 + 60 000 + 320 000) – (18 000 + 100 000 + 70 000 + 40 000 + 64 000 + 96 000 + 28 000)
= 694 000 - 416 000
= R 278 000

2.4 Remuneration to providers of foreign capital

= Interest on loans + Land rental paid
= 30 000 + 40 000
= R 70 000

Annexures

The annexures consist of the following accounting documents:

- Annexure A
  - Cash receipts Journal
  - Cash payments Journal
- Annexure B
  - Debtors Journal
- Annexure C
  - Creditors Journal
- Annexure D
  - Wage Journal

Annexure A

Cash receipts journal

CASH RECEIPTS JOURNAL FOR															
DOC	DAY	DETAILS	FOL	ANALYSIS OF RECEIPTS		BANK						SUNDRY ACCOUNTS			
												AMOUNT		FOL	DETAILS

Annexure A (continued)

Cash payments journal

CASH PAYMENTS JOURNAL OF ..... FOR															
DOC	DAY	NAME OF BENEFICIARY	FOL	BANK								SUNDRY ACCOUNTS			
												AMOUNT		FOL	DETAILS

Annexure B: Debtors Journal

DEBTORS JOURNAL OF					
DOC	DEBTOR	FOL	SALES		

Annexure C: Creditors Journal

CREDITORS JOURNAL OF ..... FOR														
DOC	CREDITOR	FOL	BANK								SUNDRY ACCOUNTS			
											AMOUNT		FOL	DETAILS

Annexure D: Wage Journal

WAGE JOURNAL OF ..... FOR																		
EMPLOYEE	NORMAL TIME			OVER TIME			GROSS WAGE	DEDUCTIONS					TOTAL DEDUCTIONS	NET WAGE	EMPLOYER CONTRIBUTION		
	HOURS	TARIFF	AMOUNT	HOURS	TARIFF	AMOUNT											

Glossary

A

Accounting – the recording of transactions in terms of monetary value

C

Capital increase – the method of raising more capital by issuing new shares to existing shareholders or selling off unused assets to raise more money

D

Depreciating assets – assets for which the market value decreases over time

Diminishing marginal returns – the decrease in the marginal product as more variable units are added

E

Effective interest – the rate that could be described as the rate that the person is actually going to pay. This includes admin fees, other costs and compounding

Entrepreneur – a person who starts up any type of business, taking all the risk for losses, but also gets all the profit as a reward for taking the risks

Entrepreneurship – the willingness and skills to manage, organise and develop a business venture, despite the risks, to make a profit

External documents – documents that come from outside the company

F

Farm management information system (FMIS) – a management information system that helps farmers manage and operations and data

Farming financial management – the efficient and effective planning, organising and control of money to accomplish the objectives of the organisation

Filing – to keep all documentation in the business safe and organised

Financier – someone who manages expenditure of large amounts of money

G

GAAP – acronym for Generally Accepted Accounting Principles

I

IFRS – acronym for International Financial Reporting Standards

Inflation – the rate at which the general prices of all goods rise over a specific period

Internal documents – documents designed, produced and used by the company

Inventory – a compiled list of all tangible assets of a farming enterprise and their monetary values

L

Liquidity – the ability to be converted into cash

M

Market value – the price an asset is able to attract in the market

N

Nominal interest – the interest rate that is payable once or more times per year. This rate does not take inflation and costs into account

P

Payback period – the time period that was agreed upon to pay back the money that was supplied

S

Scientific farming management – the process whereby a farm manager makes rational decisions to achieve the objectives of the farming enterprise

SETA – an acronym for Sector Education and Training Authority which monitors the quality of education, training and skills development in specific industries

Source document – the original record or evidence that a particular transaction took place

Subsidiary journals – journals containing records of transactions that occur frequently

Substitution – the act of replacing a certain object with another, either partially or completely

Supporting document – explains or verifies what is written in the source document

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