higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N4

(4090484)

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Non-programmable calculators may be used.

This question paper consists of 8 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL MANAGEMENT: FARMING N4
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Start each section on a new page.
5. Use only a blue or black pen.
6. Write neatly and legibly.

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QUESTION 1: FARM MANAGEMENT INFORMATION SYSTEMS

1.1 List the sections of the annual financial statements of a farming enterprise. (4)

1.2 What requirements and scope must a farm management information system (FMIS) meet? (3)

1.3 A farmer heard about the farm management information system and decided to initiate it.

Advise the farmer on the SEVEN steps he or she must follow in order to establish this system. (7)

1.4 The following questions relate to the inventory of the asset register:

1.4.1 Briefly explain what an inventory of a farming enterprise comprises of. (2)

1.4.2 For the purpose of an inventory the farming assets are generally divided into five main groups. Name the FIVE main groups. (10)

1.4.3 Which guideline for inventory purposes can be used to estimate the value of the land? (2)

1.4.4 Which guideline can be used to value slaughter lambs ready for the market? (2)

1.5 According to the straight-line method of depreciation calculating a fixed depreciation amount is determined annually.

State TWO disadvantages of this method of depreciation calculation. (2 × 2) (4)

1.6 Distinguish between the terms *appreciation* and *depreciation* with regard to farm assets. (2 × 2) (4)

Suppose the following information is available for an asset to be purchased:

Cost price of the asset	= R100 000
Expected salvage value of the asset	= R10 000
Expected life period of the asset	= 10 years or 10 000 hours

Do the following calculations and show the necessary formulas:

1.7.1 If the diminishing-balance method for the calculation of depreciation is used, what will the depreciation rate be per annum? (2)

1.7.2 What will the depreciation amount be for the first year if the diminishing balance method is used? (4)

1.7.3 What will the book value of the asset be after one year with the above method of depreciation calculation? (2)

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1.7.4 Suppose the asset is used for 1 000 hours in a specific year, what will the depreciation amount be if the used method of depreciation calculation is used? (4)

[50]

QUESTION 2: FARMING BALANCE SHEET

2.1 The farm owner of Hard-at-work Sheep Farming Enterprise is not knowledgeable about certain terms that are associated with the balance sheet.

Distinguish between the following terms in your own words for the farm owner to understand:

2.1.1 Financing structure and financial structure

2.1.2 Net current assets and net value

(4 × 2) (8)

2.2 The following information regarding Hard-at-work Sheep Farming Enterprise is available as on 31 December 2015:

Description	**Value (R)**
Land and office buildings	700 000
Shares at nearby broiler co-operative	220 000
Refrigerated warehouse for mutton	350 000
Water pump	70 000
Delivery van	95 000
Accumulated depreciation for water pump	10 000
Accumulated depreciation for delivery van	15 000
Medical supplies	13 000
Live sheep sold on credit	40 000
Current account balance at Standard Bank	30 000
Abattoir for slaughtering and packaging	440 000
Telkom account in arrears	11 000
Mutton ready for selling	19 000
Concentrate feed for sheep	40 000
Ewes and rams for breeding	25 000
Gross production value for wool	60 000
10-year charge loan	50 000
Rented land used for pastures	120 000
Unfavourable balance at Investor Bank	9 000

Additional information concerning the farming enterprise as on 30 June 2016 is as follows:

- Balance of instalment sale for delivery truck is R50 000
- Electricity account paid in advance to the amount of R10 000
- School fees paid for the owner's children are R14 000
- Balance on mortgage bond for land and buildings of R500 000
- Sheep valued at R15 000 were sold on 30 June 2016 and the money is still in the safe as the banks are still closed for the holidays
- R10 000 is still owed to suppliers of medical supplies

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2.2.1 Draw up a balance sheet as on 30 June 2016.

NOTE: Negative marking will apply for an incorrect entry. (34)

2.2.2 Determine the value of the total capital employed. (3)

2.2.3 Calculate the value of the total foreign capital employed. (2)

2.2.4 State any items from the information given above that should not be included in the balance sheet. (3)

[50]

QUESTION 3: THE INCOME STATEMENT

3.1 Explain the meaning of the following terms:

3.1.1 Gross production value (3)

3.1.2 Net farm income (2)

3.1.3 Foreign capital (2)

3.1.4 Farm profit (4)

3.2 Your farm operates a goat branch, poultry branch and cash crop branch. The following information about a particular financial year is available (all figures in rand):

	R
Milk sales	50 000
Breeding goats purchased	200 000
Goats at the start of the year	500 000
Goats at the end of the year	300 000
Crops fed to the goats	12 000
Crops sold to the supermarket	70 000
Value of crops consumed by workers	5 000
Packaging material for milk	2 000
Value of stolen goats	15 000
Goat carcasses sold to the local butcher	510 000
Feed for goats purchased	3 000
Interest on loans	12 000
Electricity	15 000
Maintenance of vehicles	20 000
Milk used by the owner	1 000
Diesel at the beginning of the year	6 000
Diesel at year end	3 000
Diesel purchased during the year	10 000
School fees for children paid	4 000
Veterinary stock	5 000
Sundry farming costs	10 000
Rental of neighbour's land	3 000
Depreciation on equipment	30 000
Wages paid to shearers	5 000
Wages of permanent staff	40 000
Eggs sold to Shoprite	179 000
Poultry feed bought	10 000
Rations bought for labourers	4 000

INSTRUCTION: Determine the farming profit. (Show ALL the steps in your calculations.) (39)
[50]

QUESTION 4: PRODUCTION ECONOMIC PRINCIPLES

4.1 Indicate if the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (4.1.1–4.1.6) in the ANSWER BOOK.

4.1.1 The marginal returns constantly increase as more inputs are employed in the production process.

4.1.2 The profit maximisation point of any farming enterprise is at the point where marginal revenue equals marginal costs.

4.1.3 Formulating organisational objectives is the first step in rational decision making.

4.1.4 The duties of a financial manager include planning, analysis, controlling and leading.

4.1.5 The average physical product is the same as the marginal product.

4.1.6 The procurement of funds function of a financial manager has to do with the capital acquisition of funds.

(6 × 1) (6)

4.2 Briefly describe the law of diminishing marginal returns. (4)

4.3 Define briefly the term *marginality*. (2)

4.4 Briefly explain the following products/product relationships and give an example of each.

4.4.1 Joint products

4.4.2 Supplementary products

4.4.3 Complementary products

4.4.4 Antagonistic products

(4 × 4) (16)

4.5 Answer the following questions on cost principles:

4.5.1 Name the THREE types of costs that can be used to determine the optimum production level, which is the level where profit is maximized. (3 × 2) (6)

4.5.2 Copy the following table in the ANSWER BOOK and complete it (Round off to one decimal place):

Production per hectare (ton/ha)	Total fixed cost (R)	Total variable cost (R/t)	Total cost (R/t)	Average fixed cost (R/t)	Average variable cost (R/t)	Average total cost (R/t)	Marginal cost (R/t)
6.0	500	650					
8.0		500					
10.0		600					

(16)
[50]

TOTAL: 200

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