higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

MANAGEMENT: FARMING N5

11 November 2022

This marking guideline consists of 9 pages.

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INSTRUCTIONS TO MARKERS

1. Mark all the questions.
2. Follow the answers according to the numbering system used in this question paper.
3. Use only a red pen.
4. Make your ticks and crosses neatly and legibly.

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QUESTION 1

1.1 1.1.1 False
1.1.2 True
1.1.3 False
1.1.4 True
1.1.5 False

(5 × 2) (10)

1.2 1.2.1
- Freedom to utilise opportunities that exist in the organisation
- Flexibility of the organisation (no rigid rules and regulations that an entrepreneur should conform to or abide by)
- Confidence that management has the abilities of the entrepreneurs, as well as support offered to entrepreneurs
- Allow entrepreneurs to be creative in the organisation
- Allow entrepreneur to conduct his/her activities independently
- The entrepreneur has the opportunity to take risks in the organisation. (4 × 2) (8)

1.2.2
- Combine factors of production
- Determine rewards for factors of production
- Planning the organisation
- Risk taking
- Expansion of business (5 × 2) (10)

1.2.3
- Motivated to achieve aims
- Positive self-image
- Ingenuity
- Acceptance of risk
- Pursuit of independence
- Intelligence and formal education (Any 2 × 1) (2)

1.3 1.3.1 Uncontrollable
1.3.2 Controllable
1.3.3 Controllable
1.3.4 Controllable
1.3.5 Uncontrollable

(5 × 2) (10)
[40]

QUESTION 2

2.1
2.1.1 D
2.1.2 B
2.1.3 D
2.1.4 E
2.1.5 A

(5 × 2) (10)

2.2 2.2.1
- Testamentary trust
- Contractual trust (2)

2.2.2
- There are few statutory prescriptions with regard to the establishment of the trust.
- The establishment of trust through a contract enables the founder and trustees to determine the content and objectives of the trust
- The founder can easily lay down his own guidelines for the management of the trust
- There are no limits to the number of beneficiaries
- Better taxation advantage
- Only separate assets of the trust are exposed to the risk of a possible failure
- There is no limit on the duration of the trust (Any 5 × 2) (10)

2.2.3
- Manage the trust assets with care
- Exercise good faith towards beneficiaries
- Keep proper records and report to beneficiaries
- Keep their own assets separate from theirs (4 × 2) (8)

2.3
- A closed corporation is a separate legal entity which allows for a limited liability to its members.
- It offers continuity to its members due to it being a legal person.
- The foundation of the corporation is relatively cheap and easy.
- The management is quite flexible.
- Decision making structures are not complex.
- A closed corporation may buy its member's buy interest and may also provide financial assistance to its members to enable them to become members of the business.
- A closed corporation may buy shares in a company and may also manage a company. (Any 5 × 2) (10)

[40]

QUESTION 3

3.1 3.1.1 A strategic plan is a plan which focuses on the development of broad long term plan✓ to realize the overall mission of the business.✓ (2)

3.1.2
- Strategic planning is focused on a timeframe of three to ten years
- It is centred on all aspects of the entire business
- It is focused on future and is considers all possible environmental changes
- It requires a continued adaptation to environment
- It has no specific detail, but rather has broad general guidelines to steer the business on the way forward (5 × 2) (10)

3.1.3
- Managers are enabled to investigate and evaluate the external environment
- More profitable opportunities for the farm may be identified
- Requires a better understanding and awareness of opportunities as well as threats in the external environment
- Resources on the farm can be easily applied to address the demands of the environment
- Farmers actions and thoughts are focused according to a long term plan
- Provides guidance to the farmer in managing his daily activities
- Provides a framework for decision-making (Any 4 × 2) (8)

3.1.4
- Implement wide ranging decisions as smaller steps spread over a longer period
- Calculate the cash flow against a range of price and return on investment possibilities before a long term commitment is made regarding land, buildings and machinery
- Keep cash flow and financial records updated in order to detect any problem sooner than later
- Arrange for payment for long term financial loans over the longest period as possible in order to provide for uncertain times
- Maintain a sound financial position throughout
- Keep a credit or cash reserve equal to the amount needed to pay debtors over a period of at least one or two years
- Diversify production by focusing on more than one type of crop and/or livestock
- Select stable operation branches
- Use low investment production systems
- Continually keep machinery and equipment in good condition

(Any 5 × 2) (10)

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3.2
- Production uncertainties✓ - Yield per hectare fluctuate greatly due to weather conditions and other factors such as pests and diseases.✓
- Price uncertainties✓ - The forces of demand and supply will have an impact on the prices of crops and livestock.✓
- Risk due to aging✓ - The old equipment and machinery become obsolete and less effective and new ones should be used.✓
- Political and social uncertainties✓ - The changes in legislation in the agricultural sector may increase the production cost and require farmers to be reskilled.✓
- Human uncertainties✓ - The health and well-being of the human resource is unpredictable and may have a negative influence on production.✓
- Keep a credit or cash reserve equal to the amount needed to pay debtors over a period of at least one or two years.✓✓
- Financial uncertainties✓ - Changes in the availability, cost and terms of repayment of the borrowed capital can influence the business.✓
- Mechanical uncertainties✓ - One cannot predict when the machinery will be defective. The machinery can be defective during the peak season and that will have a negative effect on the profitability of the business.✓
- Uncertainties due to elements of nature and human intervention✓ - Production can be hampered by unforeseen circumstances such as fire, wind and bad weather conditions. Use low investment production systems✓

(Any 5 × 2) (10)
[40]

QUESTION 4

4.1
4.1.1 C
4.1.2 B
4.1.3 G
4.1.4 A
4.1.5 E

(5 × 2) (10)

4.2 4.2.1 Rose, a legatee, is a person who receives a specific asset as described in the will✓✓ whilst Molly, the heir, receives part of or the entire bequest, or any other remnant after the debts for the will have been paid.✓✓ (4)

4.2.2
- The will must be signed
- The undersigning of the will must take place in the presence of at least two qualified witnesses
- The witnesses must sign the will in the presence of the testator
- When the will comprises more than one page, every page should be signed (Any 3 × 1) (3)

4.3 4.3.1
- Stipulations for beneficiaries
- Conditions under which beneficiaries receive their parts of the bequest
- Appointment of executors (3)

4.3.2 An executor is a person who is appointed by the Master of the Supreme Court✓ to oversee the fair distribution of Mr Chauke's estate.✓✓ (3)

4.3.3 Consolidation of wills is a situation where Mr Chauke and his wife✓ agree that their individual estates must be combined once the first partner dies.✓✓ (3)

4.4 A usufruct is a legal right accorded to a person or party that confers the temporary right to use and derive income or benefit from someone else's property.✓✓ e.g.:

- Instead of transferring the ownership of the entire property✓
- The farm, to the beneficiary, the testator can allow usufruct of the property to a third party✓
- For a specific time or as long as the spouse lives
- The person then has the right to take ownership of the asset
- The farm will then provide for the needs of this person
- The lessee has to maintain the land and keep it in the same condition as he received the land
- A value may be attached to this right (Any 2 × 1) (4)

4.5

- To manage the minors' inheritance
- To allow competent people to manage the funds
- To involve experts in a formal way in the management of assets and investment of cash funds from an estate
- To provide for the continuation of the farming business as one unit
- To provide for flexibility in the final division of assets
- To save income tax and estate tax/estate duty (Any 5 × 1) (5)

[40]

QUESTION 5

5.1 5.1.1

- These policies differ from ordinary policies in that the premiums are tax-deductible from income to a maximum amount
- The fact that annuities cannot be ceded to third parties makes it a better option in saving
- Annuities cannot be redeemed or ceded to third parties and this is a safe option for saving
- Retirement annuities can be bought with life coverage or without
- In the case of ordinary policies for individuals, the premium is non-deductible for tax purposes
- At retirement one third of the funds is available to be taken up and is tax exempted
- The yield generated on the policy is again taxable when paid out
- No claim cannot be made against this money in case of insolvency
- The yield of retirement annuities may not be taken up before the age of 55 (Any 5 × 1) (5)

5.1.2

- These insurances falls under short term insurances
- They provide coverage against any claim from a third party
- The claims could be for injuries of a personal nature and damages to personal property where the farmer is compelled to pay compensation
- This type of insurance is designed to protect the farmer from legal action and court cases from the public
- This coverage usually includes the farmer's spouse and dependants (5)

5.2 5.2.1

- Unforeseen losses due to unfavourable weather conditions
- Drought
- Hail
- Floods
- Snow
- Thunder
- Lightning
- Plant diseases
- Plant pests
- Fire damage
- Earthquakes (Any 4 × 1) (4)

5.2.2

- Losses caused by negligence
- Losses caused by poor cultivation practices
- Losses due to theft of crops (3)

5.2.3

- per hectare
- according to crop value
- determined by risk based on historical losses in the area and the amount invested per hectare (3)

5.3	5.3.1	True		
	5.3.2	False		
	5.3.3	False		
	5.3.4	True		
	5.3.5	False		
			(5 × 2)	(10)
5.4	5.4.1	Whole life assurance		
	5.4.2	Endowment policy with life coverage		
	5.4.3	Pure endowment policy		
	5.4.4	Entrenched policy		
	5.4.5	Disability insurance		
			(5 × 2)	(10)
				[40]
			TOTAL:	**200**