higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

AGRIBUSINESS
NQF LEVEL 4

(1011034)

22 November 2018 (Y-Paper)
13:00–16:00

Calculators may be used.

This question paper consists of 11 pages and 2 addenda.

New

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. Leave a line between each sub-section.
5. Start each question on a NEW page.
6. Write neatly and legibly.

New

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SECTION A

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.9) in the ANSWER BOOK.

1.1.1 Human activity, which is directed at satisfying needs and wants of consumers through an exchange process:

A Economies of scale
B Production
C Marketing
D Purchasing

1.1.2 One of the requirements to perform gross margin analysis in the farm is to…

A determine the net farm income.
B determine non-cash income.
C determine interest on total capital investment.
D identify all variable costs of the farm.

1.1.3 Money paid into a farmer's bank account and then withdrawn is known as the … of the farming business.

A budget
B cash flow
C assets
D overdraft

1.1.4 To be able to interact effectively with people and make your vision known to other stakeholders is a/an … skill of a manager.

A problem solving
B financial-management
C interpersonal and communication
D decision-making

1.1.5 The following schematic representation shows a/an … chain of products.

Distributors ⟶ Retailers ⟶ Buyers

A supply
B entrepreneur's
C production
D planning

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1.1.6 The following, EXCEPT for …, are entrepreneurial success factors.

A self-confidence
B dynamics
C creativity
D bureaucratic analysis

1.1.7 Guidelines to prevent unfair labour practice when taking disciplinary measures against employees is stated in the …

A UIF.
B Computerised Human Resource System.
C Sectoral Determination Act.
D Labour Relations Act.

1.1.8 The day to day input cost of planting vegetables or raising animals for slaughter is …

A short-term cost.
B medium-term cost.
C investment cost.
D long-team cost.

1.1.9 A person who negotiates the best terms for the farmer and the consumer is the …

A market chain.
B market agent.
C producer.
D advertising agent.

(9 × 1) (9)

New

1.2 Choose an/a item/word from COLUMN B that matches a description in COLUMN A. Write only the letter (A–K) next to the question number (1.2.1–1.2.9) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Information on details of money received and money paid out	A	standardisation
1.2.2	Analyse the past financial standing of the farm	B	sundries
1.2.3	Items that do not fall under any heading in income and expenditure of the cash analysis book	C	production performance information
1.2.4	Monitor progress and take corrective action	D	collateral
1.2.5	Uniformity of a group of products	E	cash analysis book
1.2.6	Guarantee for a loan	F	control
1.2.7	Strategy used by farmers when there is a lack of storage facilities for their products	G	historic cash flow
1.2.8	Analysis and refinement of the plan	H	delayed price contract
1.2.9	Information on how well the production process is being carried out	I	evaluation
		J	grading
		K	evaluation

(9 × 1) (9)

1.3 Give ONE word/term for each of the following descriptions. Write only the word/term next to the question number (1.3.1–1.3.7) in the ANSWER BOOK.

1.3.1 SETA that arranges and facilitates funding for skills and learnership training in agriculture

1.3.2 People who have the ability to recognise a unique business opportunity and who are willing to take the risk of starting their own businesses

1.3.3 A strategy whereby the farmer can spread the risk by investing in several enterprises

1.3.4 Large quantity of production that will bring about profit in the farm

1.3.5 The requisition form that keeps track of all monies taken from petty cash

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1.3.6 The document where safety guidelines for workers and farmers at work are documented

1.3.7 If the price of labour and equipment used in producing chicken is high, few farmers will produce chicken

(7 × 1) (7)

[25]

TOTAL SECTION A 25

SECTION B

QUESTION 2

2.1 Define *marketing mix*. (2)

2.2 Name and explain the factors of the marketing mix. (8)

2.3 List SIX stages of the marketing physical functions for broilers. (6)

2.4 Farmers benefit a great deal when value is added to their produce before marketing.

2.4.1 Give THREE reasons to show the farm manager why he/she should add value to his/her produce. (3)

2.4.2 Give TWO examples to show the farm manager how he/she can add value to his/her vegetable produce? (2)

2.5 2.5.1 Why is cash-flow planning regarded as an important tool in the financial management of a farm? (4)

2.5.2 Define *repayment capacity*. (2)

2.5.3 State EIGHT factors that can affect the repayment capacity of a farm. (8)

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QUESTION 3

3.1 Name ONE condition necessary for Riverdale Farm to seek outside finance for the farm? (1)

3.2 Land is commonly valued in terms of its productive value or market value.

3.2.1 Explain how the productive value of land can be determined? (2)

3.2.2 In 2017, Riverdale Farm realized a net annual income of R750 000,00 after paying all living expenses. The Rate of Return of the farm was 10%.

Calculate the productive value for Riverdale Farm. (2)

3.2.3 State FOUR factors that can be used to determine the market value of Riverdale Farm. (4)

3.4 Name FIVE physical records that Riverdale Farm need to keep. (5)

3.5 If Riverdale Farm's manager completes the farm budget correctly it can help her with her planning.

3.5.1 List FIVE aspects that an enterprise budget can help with. (5)

3.5.2 State NINE factors that the farm manager should consider when drawing up the annual budget. (9)

3.6 Famers could be hit where it hurts the most as fuel and electricity prices are expected to reach their highest in three years in 2018. Many farmers use both fuel and electricity to power their agricultural machinery.

State SEVEN farming enterprises that may be affected by the increase in prices of electricity and fuel. (7)

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QUESTION 4

4.1 Name and explain THREE different financial statements that the farm manager of Riverdale Farm has to prepare and keep at the farm. (6)

4.2 Complete the Cash Flow Statement of Riverdale Farm from July to September 2018.

Write ONLY the correct answers next to the question number (4.2.1–4.2.10) in the ANSWER BOOK.

	JULY	AUGUST	SEPTEMBER
CASH RECEIVED			
Bank balance (beginning of month)	R28 000,00	R23 850,00	**(4.2.6)**
Cash sales	R22 000,00	R27 000,00	R30 000,00
Credit sales	**(4.2.1)**	R18 000,00	R29 500,00
Other income		R22 500,00	
TOTAL CASH AVAILABLE	R66 000,00	**(4.2.4)**	**(4.2.7)**
CASH PAYMENTS			
Monthly expenses	R15 500,00	R15 500,00	**(4.2.8)**
Cash purchases	R24 000,00	R44 950,00	R29 500,00
Loan repayment	R 2 650,00	R13 650,00	R23 650,00
Other payments		R36 820,00	
TOTAL CASH PAYMENTS	**(4.2.2)**	R110 920,00	**(4.2.9)**
BANK BALANCE (end of month)	**(4.2.3)**	**(4.2.5)**	**(4.2.10)**

(10)

4.3 Discuss how deferred payment contracts will benefit Riverdale Farm in the production and marketing of grains. (4)

4.4 Farm-gate marketing is one of the most common marketing channels used by farmers, especially small-scale farmers and farmers in distant rural areas.

4.4.1 State TWO advantages of farm-gate marketing. (2)

4.4.2 State ONE disadvantage of farm-gate marketing. (1)

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4.5 Use the following information to answer the questions below.

Riverdale Farm produced 50 boxes of tomatoes per week for two months and incurred the following production costs.

Seeds (4000 seedlings):	R1,30/seedling
Fertiliser (three bags):	R150,00/bag
Wages (two casual workers):	R1 500,00/month for each worker
Salary for the supervisor:	R5 000,00/month
Pesticides (five litres used):	R90,00/litre
Packaging material (boxes):	R4,50/box
Other costs:	R4 500,00

4.5.1 What is the total cost for producing the tomatoes? (8)

4.5.2 How many boxes of tomatoes were produced in the two months period? (1)

4.5.3 If Riverdale Farm made a profit of R8 600,00, what was the price of tomatoes per box. (3)

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QUESTION 5

5.1 Give FIVE reasons to advise a farmer why he/she should not keep large amounts of stock in the farm (5)

5.2 Use the following price list to complete Riverdale Farm's cash slip. VAT is not charged on fresh food items.

Complete this question on the attached ADDENDUM A.

4 bags	Potatoes	R49,50
11 bunches	Bunch of spinach	R 6,50
4 heads	Lettuce	R 4,50
1 box	Box of grapes	R20,00
3 boxes	Box of tomatoes	R50,00
4 bottles	Beetroot	R18,50
12 cans	Tomatoes	R23,60

(9)

New

5.3 A dairy farmer anticipates a possibility of a severe drought during the upcoming winter season. She realizes that she will need 140 bags of feed to reduce the effect that might be caused by the drought on her dairy cows. She is thinking of either buying the feed from Umtiza or to produce the feed herself.

Buying Cost:
R115,00/bag if she buys from Umtiza.

Production Cost per bag:
Fixed cost R95,00
Variable cost R40,00.

Calculate the total costs of feed and advise the manager on whether it will be cheaper to buy from Umtiza or to produce her own feed. Show all calculations. (8)

5.4 Give SIX reasons why should a farm manager spend time and money to install an information system in the farm? (6)

5.5 Name the FIVE ideal features of an information system for Riverdale Farm? (5)

5.6 State TWO benefits of the Unemployment Insurance Fund for farm workers. (2)
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QUESTION 6

6.1 Use the expenditure part of Riverdale Farm's income statement for 2018 to answer the following questions.

Answer question 6.1.1 on the attached ADDENDUM B.

DESCRIPTION	**AMOUNT (R,00)**
Bank charges	1 440
Electricity and water	1 500
Marketing cost	9 938
Feed	7 420
Seed and seedlings	1 980
Telephone	720
Rent	2 500
Contractor charges	1 800
Livestock purchased	4 600
Fertilizer and lime	1 570
Labour (wages)	33 200
Fuel and lubricants	4 376
Insurance and license	560
Repairs and maintenance	2 900
Salary (farm manager)	120 000
Other costs	580

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6.1.1 Categorise each of the above costs as either a fixed or a variable cost. (18)

6.1.2 Calculate the total fixed cost and total variable cost. (2)

6.2 Riverdale Farm decided to invest R150 000,00 to establish a new enterprise to produce and process high quality organic broilers and eggs in August 2017. In November 2018, the income from the investment was R195 000,00.

6.2.1 Calculate Riverdale Farm's Return on Investment (ROI) for the first year of investment.

Formula: $ROI = \frac{\text{Gain from investment – Cost of investment}}{\text{Cost of investment}} \times 100$ (3)

6.2.2 Was Riverdale Farm's investment on organic broilers and eggs a good investment?

Give reasons for your answer. (2)

6.3 In order to keep the grain produced in the farm for a long time before grading and marketing, Riverdale's farm manager decided to store it in silo bags instead of silos. It is essential that grain is graded before it is sold.

6.3.1 Give TWO advantages of using silo bags? (2)

6.3.2 Give TWO reasons to show why Riverdale Farm should grade their maize before marketing. (2)

6.3.3 Name THREE forms of contracts that the Riverdale farm manager can conclude if he/she is happy with the price offered. (3)

6.4 Name THREE ways which can be used to pay salaries/wages of farm workers. (3)

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TOTAL SECTION B: 175
GRAND TOTAL: 200

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ADDENDUM A

EXAMINATION NUMBER: | | | | | | | | | | | | | |

5.2

RIVERDALE FARM

CASH SLIP

Product	Quantity	Unit cost (R)	Vat (15%)	Total (R)
VAT				
TOTAL				
CASH PAID				750.00
CHANGE				

(9)

New

ADDENDUM B

EXAMINATION NUMBER: | | | | | | | | | | | | | |

6.1

RIVERDALE FARM

6.1.1

FIXED COST		**VARIABLE COST**	
Description	**Amount (R,00)**	**Description**	**Amount (R,00)**
TOTAL			

(18)

(18)

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