



**higher education  
& training**

Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

# **MARKING GUIDELINE**

**NATIONAL CERTIFICATE**

**FINANCIAL MANAGEMENT: FARMING N4**

**5 JUNE 2018**

**This marking guideline consists of 7 pages.**

**QUESTION 1: THE FARM MANAGEMENT INFORMATION SYSTEM**

- 1.1
- Serves as a basis for scientific decision making
  - Facilitates the submission of accurate returns
  - Handles figures systematically and thus helps with systematic thought and actions
  - Focuses on financial results, thus controls spending by the family
  - Enables farmer to think in terms of numbers or measurable quantities
- (5 × 2) (10)
- 1.2
- Livestock
  - Finished products
  - Semi-finished products
  - Production supplies
- (4)
- 1.3
- 1.3.1 Net sales value (market value less market costs)
- 1.3.2 Net sales value (market value less market costs)
- 1.3.3 Net sales value
- 1.3.4 Insurance value
- 1.3.5 The lowest of either the purchase price or the market price
- (5 × 2) (10)
- 1.4
- 1.4.1
- To recover the capital that was invested in an asset over its useful life
  - To determine the annual book value of an asset for balance sheet purpose
- (2 × 2) (4)
- 1.4.2
- The realisation values of most assets do not decrease by the same amount every year
  - The asset is not necessarily used to the same extent each year.
- (2 × 2) (4)
- 1.4.3 The use method
- $$D = \frac{CP - S}{H} \times H$$
- $$= \frac{R190\,000,00 - R19\,000,00}{10\,000} \times 8\,000$$
- $$= R136\,800,00$$
- Book value = Initial cost – accumulated depreciation
- $$= R190\,000,00 - R136\,800,00$$
- $$= R53\,200,00$$
- (9)

- 1.5
- The purchase or construction date
  - The cost price or initial value
  - The expected useful life
  - The expected replacement value
  - The expected salvage value
  - The method and rate of depreciation
  - The annual capital recovery
  - The annual decrease in the inventory value of the asset
  - The book value of each asset at the end of each financial year
- (9)  
[50]

## QUESTION 2: PRINCIPLES OF PRODUCTION ECONOMICS

- 2.1
- A Fixed rate of substitution – uses inputs according to a fixed ratio and no substitution takes place (both inputs are increased or decreased by the same quantities)
- B Constant rate of substitution – one input ( $X_1$ ) can always be substituted with another input ( $X_2$ ) in the same ratio.
- C Increasing rate of substitution – as the quantity of  $X_1$  increases, fewer and fewer units of  $X_2$  is needed to replace one input unit of  $X_1$
- D Decreasing rate of substitution – as the quantity of  $X_1$  decreases, more and more units of  $X_2$  is needed to replace one input unit of  $X_1$   
(4 × 2) (8)
- 2.2 *The least-cost combination of inputs* is the point where the physical rate of substitution of the two inputs is equal to the inverted price ratio of the inputs. (8)
- 2.3
- 2.3.1 Marginal return (product) =  $\frac{\Delta \text{Total product}}{\Delta \text{Input level}}$  ✓  
 $= \frac{2250 - 2235}{80 - 70}$  ✓  
 $= 1,5 \text{ kg wheat/kg nitrogen}$  ✓✓ (4)
- 2.3.2 Value of total product = Total product (Y) × Price ( $P_y$ ) ✓  
 $= 2\,250 \text{ kg} \times R0,5/\text{kg}$  ✓  
 $= R1\,125,00$  ✓✓ (4)
- 2.3.3 Total input price = Unit input (X) × Price ( $P_x$ )  
 $= 80 \text{ kg} \times R2,00/\text{kg}$  ✓  
 $= R160,00$  ✓✓ (3)

	2.3.4	The profit (margin) = Value of total product – Total input price = R1 125,00 – R160,00 ✓ = R965,00 ✓✓		(3)
2.4		<ul style="list-style-type: none"> <li>• Variable cost</li> <li>• Fixed cost</li> <li>• Total cost</li> </ul>		(3)
2.5	2.5.1	Joint products		
	2.5.2	Supplementary products		
	2.5.3	Complementary products		
	2.5.4	Antagonistic products		
	2.5.5	Competitive products	(5 × 2)	(10)
2.6	2.6.1	Total income (value of product)		(2)
	2.6.2	Number of inputs required is indicated by (a)		(2)
	2.6.3	Input costs (low prices)		(2)
	2.6.4	Input level (b)		(2)
	2.6.5	Input costs (high prices)		(2)
	2.6.6	<ul style="list-style-type: none"> <li>• Change in product prices</li> <li>• Change in yield</li> </ul>	(Any ONE)	(1)
				<b>[50]</b>

**QUESTION 3: THE FARMING BALANCE SHEET**

3.1	3.1.1	E		
	3.1.2	G		
	3.1.3	I		
	3.1.4	J		
	3.1.5	C		
			(5 × 2)	(10)

3.2

3.2.1

**THE FARM BALANCE SHEET**

<b>LIABILITIES</b>		<b>ASSETS</b>	
<i>Current liabilities</i>		<i>Current assets</i>	
Fertiliser stock in store still on account	1 000	Favourable bank balance	10 000
Eskom account still in arrears	2 000	Slaughtered lamb ready for sale	15 000
		Money owed by Meat Market to the enterprise for slaughtered lambs	3 000
		Telephone account paid in advance	500
	<b>3 000</b>	Input VAT outstanding	20 000
		Sundry debtors	4 000
			<b>52 500</b>
<i>Medium-term liabilities</i>		<i>Investment and other</i>	
Repayment agreement at Wesbank for the truck	<b>20 000</b>	Monetary reserves on fixed deposit at Capitec bank	<b>20 000</b>
<i>Long-term liabilities</i>		<i>Movable assets</i>	
Balance of bond at FNB for land bought	<b>200 000</b>	Ford truck	25 000
		Ewes for breeding	24 000
			<b>49 000</b>
<b>Total debt</b>	<b>223 000</b>	<i>Fixed assets</i>	
		Value of own land	<b>750 000</b>
<b>Net worth</b>	<b>648 500</b>		
<b>Total liabilities</b>	<b>871 500</b>	<b>Total assets</b>	<b>871 500</b>
		<b>Value of rented land</b>	<b>500 000</b>
		<b>Total capital employed</b>	<b>1 371 500</b>

(35)

3.2.2 Foreign capital = Debt of the enterprise + Value of leased land  
= R223 000,00 + R500 000,00  
= R723 000,00

(2)

3.2.3 No, because the debts does not exceed the value of assets

(3)

**[50]**

**QUESTION 4: THE FARMING INCOME STATEMENT**

4.1	Sale			
	• Sheep sold, money not received yet	130 000		
	• Ewes bought on credit	10 000		
	• Sale of wool to Mr Adonai's company	30 000		
	• Insurance paid out for lost sheep	1 000	171 000	
	Consumption			
	• Sheep slaughtered for the labourers	4 000		
	• Sheep slaughtered for domestic use	2 500	6 500	
	Stock adjustment			
	• Value of sheep at the end of the year	270 000		
	• Value of sheep at the beginning of the year	-250 000		
	• Unsold wool stock at the end of the year	10 500		
	• Unsold wool stock at the beginning of the year	-30 000	<u>500</u>	
	<b>TOTAL: GPV sheep</b>		<b><u>178 000</u></b>	(18)
4.2	• Bales of lucerne sold	160 000		
	• Bales of lucerne fed to sheep	<u>30 000</u>		
	<b>TOTAL:</b>	<b><u>190 000</u></b>		(4)
4.3	GPV(sheep) + GPV(lucerne)			
	178 000 + 190 000			
	= 368 000			(3)
4.4	• Wages of permanent labourers	48 000		
	• Sheep slaughtered for the labourers	<u>4 000</u>		
	<b>TOTAL:</b>	<b><u>52 000</u></b>		(4)
4.5	• Fuel stock at the beginning of the year	4 000		
	• Fuel stock at the end of the year	-2 000		
	• Fuel purchased during the year	<u>12 000</u>		
	<b>TOTAL:</b>	<b><u>14 000</u></b>		(5)
4.6	• Fuel costs	14 000		
	• Veterinary and medicines	20 000		
	• Depreciation on improvements & equipment	32 000		
	• Maintenance of vehicles & implements	35 000		
	• Labour costs	52 000		
	• Costs of other farm expenses	9 000		
	• Bale of lucerne fed to sheep	30 000		
	• Electricity	<u>50 000</u>		
	<b>TOTAL:</b>	<b><u>242 000</u></b>		(10)

## FINANCIAL MANAGEMENT: FARMING N4

- 4.7 NFI = Total GPV – Production, marketing and admin costs  
= R368 000,00 – R242 000,00  
= R126 000,00 (3)
- 4.8 FP = NFI – Foreign capital  
= R126 000,00 – (R20 000,00 + R15 000,00)  
= R91 000,00 (3)  
**[50]**
- TOTAL: 200**