



# higher education & training

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

N580(E)(M28)H

**NATIONAL CERTIFICATE**

**FINANCIAL MANAGEMENT: FARMING N4**

(4090484)

**28 May 2019 (X-Paper)**

**09:00–12:00**

**Nonprogrammable calculators may be used.**

**This question paper consists of 9 pages.**

**DEPARTMENT OF HIGHER EDUCATION AND TRAINING**  
**REPUBLIC OF SOUTH AFRICA**  
NATIONAL CERTIFICATE  
FINANCIAL MANAGEMENT: FARMING N4  
TIME: 3 HOURS  
MARKS: 200

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**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. Use only a black or blue pen.
  5. Where balance sheets and income statements have to be done on TWO sheets, the sheets should be facing each other.
  6. Write neatly and legibly.
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**QUESTION 1: THE FARM MANAGEMENT INFORMATION SYSTEM**

- 1.1 In the farm management information system, the information might not be available in great detail, but a system that works in practice is more valuable than a complete, comprehensive system.



What are the requirements for a farm management information system to be effective? (3)


- 1.2 Give FOUR various auxiliary statements that a farmer should have at his or her disposal. (4 × 1) (4)

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

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

- 1.4 Answer the following questions based on the establishment of an inventory:

1.4.1 Name TWO assets that must be excluded in an inventory. (2)


-  1.4.2 State TWO important aspects to consider when drawing up an inventory. (2 × 2) (4)

- 1.5 The following information is made available about a seed planter on your farm:

DESCRIPTION	UNIT
• Cost price	R160 000
• Expected useful life	25 years
• Expected salvage value at the end of its useful life	R10 000
• Period already in use	12 years
• Method of calculating depreciation	Straight-line

Calculate the following:

1.5.1 Total amount that would be depreciated until the end of its useful life (2)


1.5.2 Annual depreciation for the next 13 years  (4)

1.5.3 Depreciation that has accumulated during the period of use (4)



1.5.4 Initial value in your first inventory (4)

- 1.6 The inventory should include a complete description of each asset.

State NINE points of detail of each asset that should appear in the inventory. (9)

- 1.7 Indicate ways in which the initial value can be determined referring to the following situations: 
- 1.7.1 If the original cost price of the particular asset is known
- 1.7.2 If the original cost price of the particular asset is NOT known (2 × 2) (4)
- 1.8 Manpower records are used to keep track of all matters relating to personnel.  
Name THREE of the matters of which the records should be kept. (3)  
**[50]**

## QUESTION 2: PRODUCTION ECONOMIC PRINCIPLES

- 2.1 Draw a graph to represent each of the following FOUR rates of physical substitution of inputs. Label each of the axes in each graph.
- 2.1.1 A fixed rate of substitution
- 2.1.2 A constant rate of substitution
-  2.1.3 An increasing rate of substitution
- 2.1.4 A decreasing rate of substitution (4 × 3) (12)
- 2.2 Give a formula with which the physical rate of substitution of the relationships between two variable inputs can be calculated. (3)
- 2.3 Briefly explain the following products/product relationships and give an example of each.
- 2.3.1 Joint products
- 2.3.2 Supplementary products
- 2.3.3 Complementary products
- 2.3.4 Antagonistic products  (4 × 4) (16)
- 2.4 Answer the following questions on cost principles:
- 2.4.1 Name the THREE types of cost that can be used to determine the optimum production level, which is the level where profit is maximised. (3)

2.4.2 Copy the following table in the ANSWER BOOK and complete it:

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		5 000					
10.0		6 000					

(16)  
[50]


### QUESTION 3: THE FARMING BALANCE SHEET


3.1 The following information is made available about Mr Malivha's farm as at 28 February 2019:


DESCRIPTION
Value of the land at a conservative market value
Petty cash
Land rented or hired
Value of the extension of the milk shed
Limpopo Dairy Parlour
Tools and implements at market value
Hyundai 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
A telephone account for March 2019 is paid in advance
Input VAT
Creditors
Electricity account of Eskom for August 2018 is still in arrears
Money in an ordinary savings account
Cheques received for commercial lambs sold but not yet banked
Lease agreement at the Land Bank
Balance on the mortgage loan at ABC bank
Holiday house in the Western Cape
School fees paid for three children
Fixed deposit at ABSA bank
Diesel fuel

Provision of income tax
VAT due to the receiver of revenue
Provision for payment of auditors
Repayment agreement at Standard bank for the tractor
Fertiliser purchased but not used
Balance of bond on property with Nedbank
Kraals and fences



Write the above information under the headings of the balance sheet that appears in QUESTIONS 3.1.1–3.1.7. A mark will be deducted for each incorrect entry. 

- 3.1.1 Current assets (9)
- 3.1.2 Investment and other (3)
- 3.1.3 Movable assets (3)
- 3.1.4 Fixed assets (4)
- 3.1.5 Current liabilities (5)
- 3.1.6 Medium-term liabilities (2)
- 3.1.7 Long-term liabilities (2)
- 3.1.8 In drawing up a balance sheet, on what side of the balance sheet would you place the assets? (1)
- 3.1.9 Explain in what order the assets and liabilities are arranged in a balance sheet. (2)
- 3.1.10 What is the difference in time period between the incomes statement and the balance sheet? (2)
- 3.2 Distinguish between each of the following terms:
- 3.2.1 Total capital employed and foreign capital  (3 × 4) (12)
- 3.2.2 Net value and total debt
- 3.2.3 Solvency and liquidity

- 3.3 Choose an item from COLUMN B that matches a description in COLUMN A. Write only the letter (A–I) next to the question number (3.3.1–3.3.5) in the ANSWER BOOK. 

COLUMN A		COLUMN B	
3.3.1	The difference between the value of current assets and the current liabilities	A	capital structure
		B	investment
3.3.2	The combination of the interest in the assets of the enterprise	C	movable assets
		D	long-term liabilities
3.3.3	Assets that are used in the process to produce other assets that can be sold	E	net current assets
		F	fixed assets
3.3.4	Relationship between the different types of assets and liabilities	G	financial structure
		H	asset structure
3.3.5	Debts that are repayable over a period longer than ten years	I	financing structure

(5 × 1)

(5)  
[50]


#### QUESTION 4: THE FARMING INCOME STATEMENT

Mr Emmanuel's farm has a dairy branch and a vineyard branch. The following information is made available with regard to a particular financial year (All figures are in rands).



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 Dairy	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

Sale of products during the year 

Weaned calves sold for meat	50 000
Grapes delivered to wine cellar	150 000
Manure from barns sold to neighbour	9 000
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 stock as 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 stock as 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



Manure from milking branch as fertiliser in the vineyard	8 000
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
Depreciation on equipment to be determined @ 20% per annum. It must be calculated on a book value of R150 000	

## INSTRUCTIONS

 Calculate the following showing ALL the calculations and formulae where applicable:

- 4.1 The gross production value of the dairy branch (15)
- 4.2 The gross production value of the vineyard branch (2)
- 4.3 The gross production value of the farm as a whole (4)
- 4.4 The cost of labour for the year (4)



4.5	The cost of fuel for the year		(4)
4.6	The total production, marketing and administration costs for the year		(12)
4.7	The net farm income		(4)
4.8	The farm profit		(5)
			<b>[50]</b>
		<b>TOTAL:</b>	<b>200</b>