



**higher education  
& training**

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

# **MARKING GUIDELINE**

**NATIONAL CERTIFICATE**

**FINANCIAL MANAGEMENT: FARMING N4**

**26 May 2021**

**This marking guideline consists of 8 pages.**

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

- 1.1
- The basis on which assets should be valued✓✓
  - The method to be applied✓ when depreciating assets and calculating depreciation✓ (2 × 2) (4)
- 1.2
- Construct a physical✓ and monetary inventory through the valuation of assets.✓
  - Draw up an initial (opening) balance sheet✓ based on the inventory.✓
  - Record all income/receipts✓ and expenditure/payments.✓
  - Record all physical✓ production data.✓
  - Maintain a proper system✓ of manpower records.✓
  - Prepare annual✓ financial statements.✓
  - Analyse and interpret the results of the farming enterprise✓ and do further planning based on analysis and interpretation.✓ (7 × 2) (14)
- 1.3
- It must be simple and easy to operate.
  - It must be processed and able to manage the farm.
  - The farmer must have the knowledge to process the information correctly, interpret it logically and make meaningful decisions. (3)
- 1.4
- 1.4.1
- $$\begin{aligned} \text{Depreciated amount} &= \text{Cost price (replacement value)} - \text{salvage value}✓ \\ &= \text{R}100\,000 - \text{R}7\,000✓ \\ &= \text{R}93\,000✓ \end{aligned} \quad (3)$$
- 1.4.2
- $$\begin{aligned} \text{Annual depreciation} &= \frac{\text{Depreciated amount}✓}{\text{Useful life}} \\ &= \frac{\text{R}93\,000✓}{30} \\ &= \text{R}3\,100✓ \text{ per annum}✓ \end{aligned} \quad (4)$$
- 1.4.3
- $$\begin{aligned} \text{Accumulated depreciation} &= \text{Annual depreciation} \times \text{period already in use}✓ \\ &= \text{R}3\,100 \times 13✓ \\ &= \text{R}40\,300✓ \end{aligned} \quad (3)$$
- 1.4.4
- $$\begin{aligned} \text{Initial value} &= \text{R}100\,000 - \text{R}40\,300✓ \\ &= \text{R}59\,700✓ \end{aligned} \quad (2)$$
- 1.4.5
- $$\begin{aligned} \text{Depreciation} &= \text{R}3\,100 \times 17✓ \\ &= \text{R}52\,700✓✓ \\ &\text{OR} \\ \text{R}59\,700 - \text{R}7\,000 &= \text{R}52\,700 \end{aligned} \quad (3)$$

- 1.5
- Number of employees
  - Service contracts
  - Permanent or casual work status
  - Positions (job titles)
  - Wages and salaries
  - Debt
  - Deductions
  - Leave details
  - Presence and absenteeism
  - Rations
  - Medical particulars
  - Productivity/Performance appraisal (Any 5 × 1) (5)
- 1.6
- 1.6.1 It is simple✓ and easy to calculate.✓ (2 × 1) (2)
- 1.6.2
- Most assets do not decrease with the same amount✓ every year.✓
  - Assets are not used✓ with the same frequency every year.✓ (2 × 2) (4)
- 1.7
- Scientific farm management is rational✓
  - decision making✓
  - to achieve the goals (objectives) of a farming enterprise. (3)
- [50]**

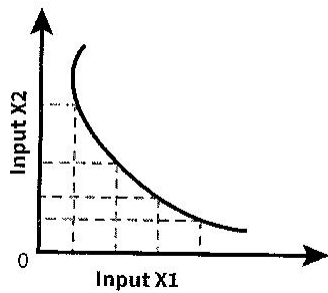
## QUESTION 2: ECONOMIC PRINCIPLES OF PRODUCTION

- 2.1
- 2.1.1 False
- 2.1.2 True
- 2.1.3 False
- 2.1.4 True
- 2.1.5 False
- 2.1.6 False
- (6 × 1) (6)
- 2.2
- 2.2.1
- Joint products are obtained where the production of one product
  - automatically generates a fixed quantity
  - of another product.
- 2.2.2
- Supplementary products are obtained where a change in the production of one product
  - has no effect
  - on the production of another product.
- 2.2.3
- Complementary products are obtained when an increase in the production of one product
  - also results in an increase
  - in the production of the other product.

- 2.2.4
- Antagonistic products occur when the production of one product
  - not only claims the inputs of another product
  - but also has an adverse effect on that product.
- (4 × 3) (12)

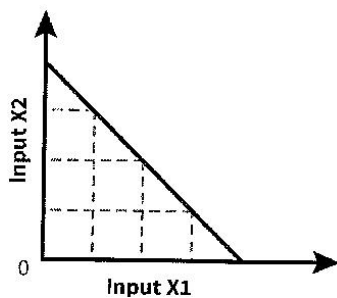
- 2.3
- 2.3.1 A to B (1)
- 2.3.2 B to C (1)
- 2.3.3 Irrational✓ because the average returns✓ per unit are increasing faster than the input costs.✓ (3)
- 2.3.4 Point D (2)
- 2.3.5 Rational✓ because the most efficient input application✓ and most profitable production occur in this phase.✓ (3)
- 2.3.6 Irrational✓ as average returns are decreasing✓ while costs are increasing.✓ (3)

- 2.4 2.4.1 Decreasing rate of substitution✓



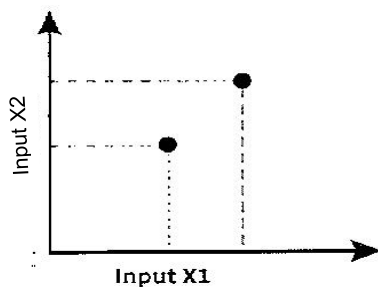
(Axes marked 1 mark each; Curve correct 1 mark)

- 2.4.2 Constant rate of substitution✓



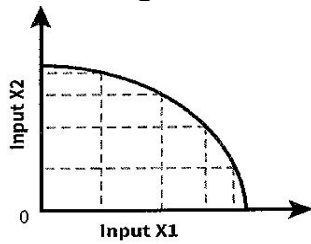
(Axes marked 1 mark each; Curve correct 1 mark)

- 2.4.3 Fixed rate of substitution✓



(Axes marked 1 mark each; Curve correct 1 mark)

2.4.4 Increasing rate of substitution✓



(Axes marked 1 mark each; Curve correct 1 mark)

(4 × 4)

(16)

2.5 The Law of Diminishing Marginal Returns states that as additional units✓ of a variable are applied✓ the marginal returns will eventually start to decrease.✓

(3)

[50]

**QUESTION 3: THE FARMING BALANCE SHEET**

3.1 3.1.1–3.1.12 - ANSWER SHEET

BALANCE SHEET AS AT 28 FEBRUARY 2017							
Liabilities				Assets			
Current Liabilities				Current Assets			
Escom account in arrears	20,500		✓	Debtors	15,000		✓
Creditors	17,000		✓	Marketable stock	30,000		✓
Bank Overdraft	8,000	45,500	✓✓	Livestock	100,000		✓
				Telkom paid in advance	2,500		✓
Medium term liabilities				Weedkiller in store			
Balance on instalment sale		70,000	✓	Positive balance at Standard	35,500		✓
				Cattle feed not used	10,000	195,000	✓✓
Long term liabilities				Investments & Other			
Charge loan	100,000		✓	Shares at local co-operative		100,000	✓
Mortgage bond	300,000	400,000	✓✓				
				Movable assets			
Total liabilities/debt				Vehicles			
		515,500	✓		200,000		✓
Net worth				Equipment & implements			
		779,500	✓		150,000		✓
				Stud animals for breeding	100,000	450,000	✓
				Fixed assets			
				Land and Buildings			
						550,000	✓
Total liabilities & equity				Total assets			
		1,295,000	✓			1,295,000	✓
				Value of rented land			
						40,000	✓
				Total Capital applied			
						1,335,000	✓
							( )

(27)

3.1.13 Total foreign capital = Total liabilities/debt + value of rented land✓  
 = R 515,500 + R40,000✓  
 = R 555,500✓

(3)

- |     |   |       |             |             |
|-----|---|-------|-------------|-------------|
| 3.2 | 3.2.1   | True  |             |             |
|     | 3.2.2   | False |             |             |
|     | 3.2.3   | True  |             |             |
|     | 3.2.4   | True  |             |             |
|     | 3.2.5   | False |             |             |
|     |   |       | (5 × 1)     | (5)         |
|     |   |       |             |             |
| 3.3 | <ul style="list-style-type: none"> <li>• Basis for negotiating for loans</li> <li>• An aid to scientific decision making</li> <li>• To compare the farmer's performance over time</li> <li>• To compare the farmer's performance with other farmers</li> </ul>  |       | (Any 2 × 2) | (4)         |
|     |   |       |             |             |
| 3.4 | <ul style="list-style-type: none"> <li>• Asset structure has to do with the combination✓ of assets.✓</li> <li>• Financing structure refers to the liabilities✓ of the enterprise✓ (or combination of interests in the assets of the enterprise).</li> <li>• Financial structure refers to the mutual relationship✓ between the types of assets and liabilities.✓</li> </ul> |       | (3 × 2)     | (6)         |
|     |   |       |             |             |
| 3.5 | <p>Net current assets = Current assets – Current liabilities✓</p> <p>Favourable (or sound) because current assets are greater than current liabilities and can therefore meet short-term obligations. ✓✓</p>  |       |             | (5)         |
|     |   |       |             | <b>[50]</b> |

**QUESTION 4: THE FARMING INCOME STATEMENT**

## 4.1 ANSWER SHEET

<b>GPV – Pig branch</b>	<b>Amount (R)</b>
Breeding sow bought from neighbour on credit	-5 000✓
Pigs sold to butcher – cash not received	50 000✓
Pigs sold at auction	250 000✓
Suckling pigs donated to school for agricultural project	6 000✓
Pigs died as a result of heat wave	4 000✓
Four pigs slaughtered for household use	4 000✓
Pigs slaughtered as ration for workers	12 000✓
Value of pigs at beginning of year	-550 000✓
Value of pigs at end of year	650 000✓
Value of stud boars at beginning of year	-120 000✓
Value of stud boars at end of year	140 000✓
<b>TOTAL</b>	<b>441 000✓</b>
<b>GPV – Potato branch</b>	
Potatoes sold	550 000✓
Potatoes given to labourers as rations	12 000✓
<b>TOTAL</b>	<b>562 000✓</b>
<b>TOTAL GPV (Whole farm) = GPV Pigs + GPV Potatoes</b>	<b>1 003 000✓</b>
<b>Production, Marketing &amp; Admin costs</b>	
Feed purchased for the year	50 000✓
Feed stock at beginning of year	25 000✓
Feed at end of year	-20 000✓
Fertiliser bought for potatoes	7 600✓
Wages paid to permanent labourers	86 000✓
Wages for seasonal workers	12 000✓
Depreciation on equipment	23 000✓
Sundry farming expenses	29 000✓
<b>TOTAL</b>	<b>212 600✓</b>
<b>NFI = Total GPV – Production, Marketing &amp; Admin costs✓</b> <b>= 1 003 000 – 212 600✓</b>	<b>790 400✓</b>
<b>FP = NFI – Cost of foreign capital (Interest &amp; land rental)✓</b> <b>= 790 400 - (5 400 ✓ + 20 000✓)</b>	<b>765 000✓</b>

(31)

- 4.2
- 4.2.1 Farm profit
- 4.2.2 Gross production value
- 4.2.3 Interest
- 4.2.4 Net farm income

(4 × 1)

(4)

- 4.3
- A source document is an original record or evidence✓ of a transaction that occurred.✓
  - A supporting document usually accompanies/goes with the source document✓ to verify the source document.✓
  - An internal document is designed and used by the enterprise✓ and very rarely shared outside the enterprise.✓

(3 × 2)

(6)

- 4.4
- An order cheque is when the words 'or bearer' are crossed out on the cheque✓ and the money may only be paid to the payee.✓
  - A bearer cheque does not have 'or bearer' crossed out✓ and the money can be paid to anyone who presents the cheque.✓
  - A stale cheque is a check that has not been cashed within 6 months of the date of issue✓ and the cheque will no longer be cashed by the bank.✓
- (3 × 2) (6)
- 4.5
- An asset is anything that the enterprise owns
  - and is used in the production process
  - to enable the farmer to generate an income and profit.
- (3)  
**[50]**
- TOTAL: 200**