

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE
JUNE EXAMINATION
FINANCIAL MANAGEMENT: FARMING N4

13 JUNE 2014

This marking guideline consists of 8 pages.

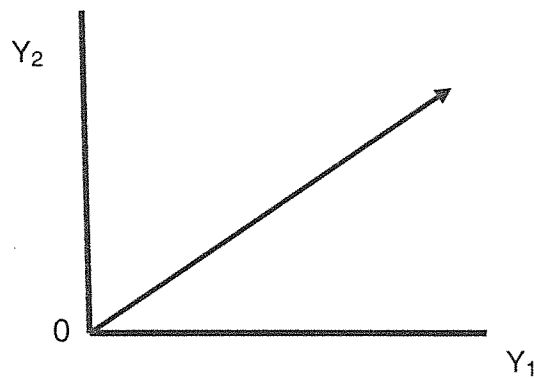
QUESTION 1: FINANCIAL MANAGEMENT AND PRINCIPLES OF PRODUCTION ECONOMICS

- 1.1 1.1.1 FALSE
- 1.1 1.1.2 FALSE
- 1.1 1.1.3 FALSE
- 1.1 1.1.4 TRUE
- 1.1 1.1.5 FALSE
- 1.1 1.1.6 TRUE
- 1.1 1.1.7 FALSE
- 1.1 1.1.8 TRUE
- 1.1 1.1.9 FALSE
- 1.1 1.1.10 TRUE

(10 X 1) (10)

1.2 Draw Graphs: *Graphs must be labelled*

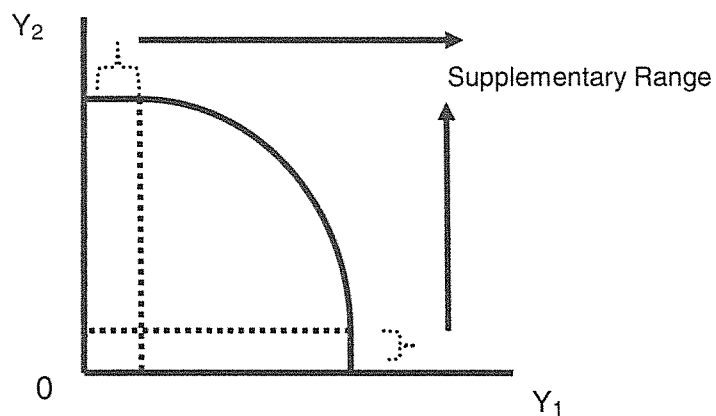
1.2.1. Joint Products



(4)

Axis & labels 2 marks; Str. line graph 2 marks

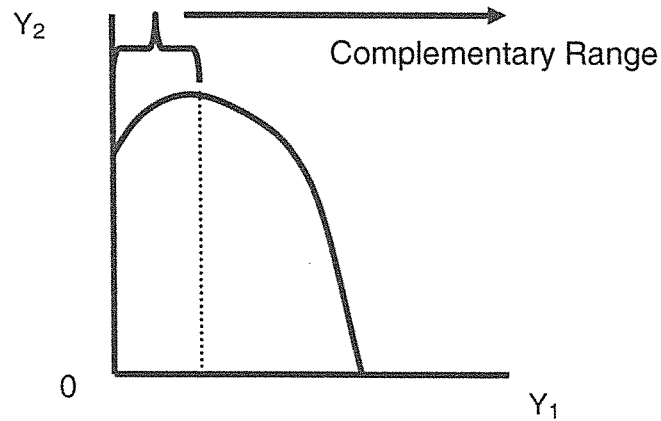
1.2.2. Supplementary Products



(4)

Axis & labels 2 marks; Curve with marked range 2 marks

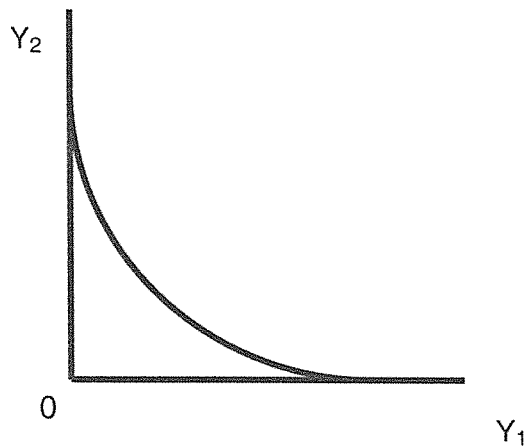
1.2.3 Complementary Products



(4)

Axis & labels 2 marks; Curve with marked range 2 marks

1.2.4. Antagonistic Products



(4)

Axis & labels 2 marks; Curve 2 marks

1.3 Complete the table:

Production per hectare (ton/ha)	Fixed Cost (R)	Variable Cost (R)	Total Cost (R)	Average Fixed Cost (R/t)	Average Variable Cost (R/t)	Average Total Cost (R/t)	Marginal Cost (R)
2,0	1 000	750	1 750	500	375	875	
4,0	1 000	6 000	7 000	250	1 500	1 750	438
6,0	1 000	7 000	8 000	167	1 167	1 333	-209

One mark per figure. Please use discretion where fault occurs and then the calculations are done correctly from there on.

(16)

- 1.4 Input/Output relationships
- 1.4.1 Fixed Rate of Substitution
- 1.4.2 Increasing Rate of Substitution
- 1.4.3 Constant Rate of Substitution
- 1.4.4 Decreasing Rate of Substitution
- (4 x 2) (8)
[50]

QUESTION 2: THE FARM MANAGEMENT INFORMATION SYSTEM (FMIS)

- 2.1 2.1.1 Identify and define problems and/or opportunities.
- 2.1.2 Collect, organise and analyse facts, information and opinions.
- 2.1.3 Develop and specify alternative solutions.
- 2.1.4 Choose the most satisfactory solution/option (make decision).
- 2.15 Implement the decision.
If not in sequence then 1 mark for the fact. (5 x 2) (10)
- 2.2. 2.2.1 FALSE
- 2.2.2 TRUE
- 2.2.3 TRUE
- 2.2.4 TRUE
- 2.2.5 FALSE
- 2.2.6 TRUE
- 2.2.7 FALSE
- 2.2.8 FALSE
- 2.2.9 TRUE
- 2.2.10 FALSE
(10 x 1) (10)
- 2.3 1. Compile(draw up) a physical inventory and a monetary inventory by valuating assets.
2. Draw an initial or opening balance sheet using data from the Inventory.
3. Record all income (receipts) and expenditure (payments).
4. Keep record of all physical production data.
5. Maintain thorough manpower (labour) records.
6. Prepare annual financial statements.
7. Analyse and interpret the results and re-plan/plan accordingly.
Allow for own reasonable wording; any FOUR as long as they are in sequence – 2 marks each. Only 1 mark if out of sequence (4 x 2) (8)

- 2.4 1. To recover the cost of an asset over its useful life so that its costs can be allocated to production equitably.
 2. To calculate the annual book value of an asset for balance sheet purposes (2 x 2) (4)

- 2.5. 2.5.1 TRUE
 2.5.2 FALSE
 2.5.3 TRUE
 2.5.4 FALSE
 2.5.5 FALSE (5 x 1) (5)

2.6 $D = \frac{CP - S}{L}$ ✓
 $= > \frac{R250\,000 - R50\,000}{10 \text{ years}}$ ✓
 $\frac{R200\,000}{10 \text{ yrs}}$
 = R20 000 per yr ✓✓ if units omitted then only one mark

Current Value = Purchase price – Accumulated Depreciation ✓
 = R250 000 – (R20 000 x 3) ✓
 = R250 000 – (R60 000)
 = R190 000 ✓✓ (8)

2.7 $D = BV \times R$ ✓ where $R = \frac{2}{\text{Expected Life}}$ ✓
 $D = R250\,000 \times \frac{2}{10}$ ✓
 $D = R250\,000 \times 0,2$ ✓
 $D = R50\,000$ ✓ (5)
[50]

QUESTION 3: THE FARMING BALANCE SHEET

3.1 3.1.1 Balance Sheet

Blessings Farm						v	
Balance sheet as at 30 June 2012							
Liabilities			v	Assets			v
Current Liabilities			v	Current Assets			v
				Input VAT	20 000		v
Outstanding account at Senwes-Co-op	2 500		v	Favourable Bank Balance at Capitec	25 000		v
Overdraft at Nedbank	5 500	8 000	v	Electricity account paid in advance	1 200	46 200	v
Medium Term Liabilities			v	Investment and other			v
Instalment sale at Nedbank		75 500	v	Paid-up shares in Senwes Co-operative		1 000	v
Long Term Liabilities			v	Moveable Assets			v
Bond at FNB for land bought		200 000	v	Value of dairy cows		150 000	v
				Fixed Assets			v
TOTAL DEBT		283 500	v	Milking Parlour	250 000		v
				Land	750 000	1 000 000	v
Net Worth		913 700	v				
TOTAL LIABILITIES		1 197 200	v	TOTAL ASSETS		1 197 200	v
				Value of Land Rented		500 000	v
				Total Capital Applied		1 697 200	v

(36)

$$\begin{aligned}
 3.1.2 \quad \text{Value of Total Foreign Capital} &= \text{Total Debt} + \text{value of rented land} \\
 &= R283\,500 + R500\,000 \\
 &= R783\,500
 \end{aligned}$$

(2)

3.1.3. The farm is solvent because total assets \checkmark exceeds the total debt \checkmark .

(2 x 2)

(2)

- 3.2 3.2.1 False
 3.2.2 False
 3.2.3 True
 3.2.4 False
 3.2.5 True
 3.2.6 False
 3.2.7 True
 3.2.8 False
 3.2.9 True
 3.2.10 True

(10 x 1)

(10)

[50]

4.6 Total Production, Marketing and Administration costs

Manure from cattle shed used on maize lands	11 000		√
Maize fed to cattle	395 000		√
Maize seed	18 000		√
Vaccine for cattle	5 500		√
Fuel & Lubricants	65 500		√
Cattle feed bought from Epol	65 000		√
Maintenance of vehicles & Implements	22 800		√
Electricity	25 000		√
Depreciation of vehicles & Implements	25 000	946800	√√

For two marks the inclusion of cost of labour and fertilizer

(12)

4.7 Net Farm Income = GPV – Production, Marketing and Administration costs
 = R1 699 500 – R946 800
 = R752 700

√

√

√

(3)

4.8 Farm Profit = NFI – Remuneration to suppliers of farm income
 = R752 700 – R11 000
 = R741 700

√

√

√

(3)

[50]**TOTAL: 200**