higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

FINANCIAL MANAGEMENT: FARMING N4

21 NOVEMBER 2016

This marking guideline consists of 8 pages.

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QUESTION 1: PRODUCTION ECONOMIC PRINCIPLES

1.1
1.1.1 False
1.1.2 True
1.1.3 True
1.1.4 True
1.1.5 False
1.1.6 True
1.1.7 True
1.1.8 False
1.1.9 True
1.1.10 True

(10 × 1) (10)

1.2
- Identifying and defining problems/opportunities
- Collecting, organising and analysing relevant facts, information and opinions
- Developing and specifying alternative solutions
- Choosing the most suitable solution
- Implementing the decision
- Owning the decision (rewards and consequences)
- Observing and evaluating outcomes of the decision (7)

1.3 1.3.1
- AP decreasing
- MP<AP
- TP is still increasing
- Profit maximisation occurs (MC = MR) (4)

1.3.2
- AP increasing
- MP>AP
- TP increasing
- Irrational operating stage (4)

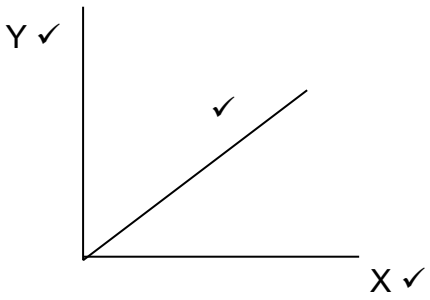
1.4
- Financial analysis, planning and control
- Management of the procurement of funds (financing)
- Management of the application of funds (investment) (3 × 2) (6)

1.5 1.5.1
- A computer allows effective capturing of data.
- It stores data (through its vast storage space).
- It generates and processes information.
- It can be used to perform calculations.
- There are computer programs that aid in decision making such as decision trees. (5)

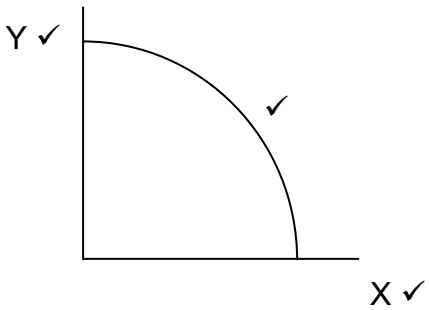
1.5.2
- Analyse the present management information system.
- Determine the farmer's needs or goals to be satisfied by a computerised management information system.
- Determine the farmer's ability or willingness to run the management information system.
- Determine the farmer's ability or willingness to analyse and correctly interpret the management information.
- Study the market for software and hardware that are best suited to the farmer's needs. (5)

1.6
- The law of diminishing returns states that adding more of one factor of production will at some point yield lower returns per additional unit.
- Marginal returns first increase at an increasing rate and then gradually increase at a decreasing rate.
- This means that employing more inputs in the production process will not always mean increased productivity. (3)

1.7 1.7.1 Joint products



1.7.2 Complementary products



(2 × 3) (6)
[50]

QUESTION 2: THE FARM MANAGEMENT INFORMATION SYSTEM (FMIS)

2.1
- It serves as a basis for scientific decision making in the enterprise.
- It facilitates the submission of accurate returns i.e. for tax and credit purposes.
- If handles figures systematically thus it leads to systematic thoughts and actions.
- It focuses on the financial results of the enterprise.
- It forces the farmer to think in terms of numbers. (5)

2.2
- It must be simple and easy to operate.
- It must be used. (2 × 2) (4)

2.3
- Inventory
- Receipts/payments
- Physical production
- Manpower records (Any 3 × 1) (3)

2.4 2.4.1 Conservative market value

2.4.2 Initial value less accumulated depreciation

2.4.3 Net sales value

2.4.4 Purchase price/market price

(4 × 1) (4)

2.5 Appreciation is the growth in value of an asset over its useful life✓✓ while depreciation is the loss in value of an asset as a result of normal wear and tear over the asset's useful life.✓✓ (2 × 2) (4)

2.6
- Recover the capital that was invested in an asset over its useful life.
- Determine the annual book value of the asset for balance sheet purposes.

(2 × 2) (4)

2.7 2.7.1 $$\text{Depreciation} = \frac{\text{cost price – salvage value}}{\text{useful life}}$$ ✓✓

$$= \frac{\text{R350 000 – R35 000}}{10}$$ ✓✓

= R31 500✓ (5)

2.7.2 $$\text{Rate} = \frac{2}{L}$$ ✓

$$= \frac{2}{10}$$

= 0,2✓ (2)

2.7.3 Depreciation = Book value × rate✓
= 350 000✓ × 0,2 ✓
= R70 000✓✓ (5)

2.7.4 Book value = Cost price × (1–r)* Y ✓
= 350 000✓ × (1 – 0,2) ✓ × 6✓
= R917 504,40✓ (5)

2.8 Salvage value = 280 000 × 0,1✓ = 28 000✓

Depreciation = $\frac{\text{Cost price – salvage value}}{\text{HU}}$ x H ✓
= $\frac{\text{R280 000 – R28 000}}{\text{45 000}}$ ✓ × 3 000✓
= R16 800✓ (7)

2.9 The straight-line method has the same amount of depreciation throughout the useful life of the asset.✓

The declining balance method has a high depreciation amount in the first years of the asset being in use and it gradually decreases in subsequent years.✓ (2)
[50]

QUESTION 3: THE FARMING BALANCE SHEET

3.1 3.1.1 Financing structure refers to the combination of the liabilities (interests in the assets) of the farming enterprise.

Financial structure of the enterprise refers to the mutual relationship between the different types of assets and liabilities.
(2 × 2) (4)

3.1.2 Net current assets of a farming enterprise refer to the difference in the value of current assets and current liabilities.

Net value of the enterprise refers to the difference between the total assets and total liabilities. (2 × 2) (4)

3.2 3.2.1

HARD-AT-WORK SHEEP FARMING ENTERPRISE BALANCE SHEET AS AT 30 JUNE 2016			
LIABILITIES	**(R)**	**ASSETS**	**(R)**
Current liabilities		**Current assets**	
Telkom account in arrears	11 000✓	Vaccines and medical supplies	13 000✓
Creditors for medical supplies	10 000✓	Debtors	40 000✓
Unfavourable bank balance	9 000✓	Current account balance	30 000✓
	33 000✓	Mutton ready for selling	19 000✓
		Concentrate feed	40 000✓
Medium-term liabilities		Electricity paid in advance	10 000✓
Balance of instalment sale	**50 000**✓	Cash in the safe	15 000✓
			167 000✓
Long-term liabilities			
Mortgage bond	500 000✓	**Investments**	
10-year charge loan	50 000✓	Shares at co-operative	**220 000**✓
	550 000✓		
		Moveable assets	
		Water pump (70 000 – 10 000) ✓	60 000✓
		Delivery van (95 000 – 15 000) ✓	80 000✓
		Ewes and rams for breeding	25 000✓
			165 000✓
		Fixed assets	
		Land and office buildings	700 000✓
		Refrigerated warehouse	350 000✓
		Abattoir	440 000✓
TOTAL LIABILITIES	**633 000**✓		**1 490 000**✓
NET WORTH (2 042 000 – 633 000) ✓	**1 409 000**✓		
TOTAL NET WORTH AND LIABILITIES	**2 042 000**✓✓	**TOTAL ASSETS**	**2 042 000**✓✓

(34)

3.2.2 Total capital employed = Total assets + value of leased land✓
= R2 042 000 + R120 000✓
= R2 162 000✓ (3)

3.2.3 Total foreign capital employed = Debt + value of leased land✓
= R633 000 + R120 000
= R753 000✓ (2)

3.2.4
- Gross production value
- Rented land used for pastures
- School fees paid for owner's children (3)

[50]

QUESTION 4: THE FARMING INCOME STATEMENT

BROILER AND CABBAGE FARM INCOME STATEMENT FOR THE PERIOD 1 JANUARY 2015 TO 31 DECEMBER 2015				
Item	**Production branch**			**Total (R)**
	Broilers (R)	**Cabbages (R)**	**Other (R)**	
Sales				
Cash	100 000✓	60 000✓		160 000
Credit	26 000✓	15 000✓		41 000
Bank	50 000✓			50 000
Income for hiring employees			25 000✓	25 000
Insurance payout		18 000✓		18 000
Total sales	176 000✓	93 000✓	25 000✓	**294 000**✓
Consumption				
Labour	26 000✓	10 000✓		36 000✓
Households	6 000✓	2 000✓		8 000✓
Donations	12 000✓			12 000✓
Total Consumption	44 000✓	12 000✓		**56 000**✓
Stock adjustments				
Closing stock	61 000✓	55 000✓		116 000✓
Less: Opening stock	-25 000✓	-35 000✓		-60 000✓
Less: Purchases	-20 000✓			-20 000✓
Total stock adjustments	16 000✓	20 000✓		**36 000**✓
Gross Production Value	**236 000**✓	**125 000**✓	**25 000**✓	**386 000**✓
Less: Production, marketing and administrative costs				
Feed and vaccines for broilers				30 000✓
Seeds and pesticides (5 000 + 8 000)				13 000✓
Repair and maintenance costs				22 000✓
Depreciation of equipment				6 000✓
Cost of fuel (7 000 + 21 000 – 9 000)				19 000✓
Cost of labour (36 000 + 26 000)				62 000✓
Other farming expenses				10 000✓
Total production, marketing and administrative costs				**-162 000**✓
Net farm income (386 000 – 162 000)				**224 000**✓
Less: Remuneration to foreign capital				
Interest				7 000✓
Land rental				12 000✓
Total remuneration to providers of foreign capital				**-19 000**✓
Farm profit (loss)				**205 000**✓

[50]

TOTAL: 200

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