higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N6

7 June 2021

This marking guideline consists of 6 pages.

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QUESTION 1:

1.1
1.1.1	J
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1.1.6	E
1.1.7	D
1.1.8	C
1.1.9	B
1.1.10	A

(10 × 1) (10)

1.2 1.2.1
- Agreement must be economic.
- Individual contributions must be clearly spelled out.
- Proper records must be kept.
- It must be clear who is accountable for record keeping.
- It must be clear who has the final word in case of opinion clash.
- Responsibilities must be clearly spelled out.
- Contract must be done in writing.
- Date on which land rental is payable must be clearly spelled out.
- It must be decided who is responsible for maintenance of assets. (9 × 2) (18)

1.2.2
- Determine the rate of remuneration for the partner's capital and labour contributions.
- Determine the extent and value of each partner's contribution.
- Calculate the distributable farm profit.
- Distribute the farm profit in advance with the agreed method.

(4 × 2) (8)

1.2.3 The following variables must be examined:

- Type of farming.
- Production branches.
- Region and soil types.
- Technical knowledge and managerial aspects.
- Capital resources.
- Other income sources. (Any 3 × 2) (6)

1.2.4 The potential buyer must have the following information:

- Potential annual net farm income.
- Expected annual cost of living.
- Capitalization rate.
- Estimated additional capital requirement. (4 × 2) (8)

[50]

QUESTION 2

2.1
- Fuel
- Operator
- Shelter
- Licence fees
- Insurance fees
- Depreciation
- Repair and maintenance
- Lubricants (8 × 2) (16)

2.2 Used tractor
- can break at any time
- requires mechanical skills
- is usually suited for small operations
- is less reliable
- can lead to lower yields
- will have high repair, fuel and labour costs
- can cause a lot of interruptions due to repairs (Any 5 × 2) (10)

2.3
- Proper maintenance
- Proper use (2 × 2) (4)

2.4
- Monitor and control use and maintenance strictly and properly.
- Train operators properly.
- Keep accurate records of repairs, fuel, etc.
- Adhere to the manufacturer's manual.
- Use it technically correct.
- Work with approved dealers.
- Clean it regularly. (7 × 2) (14)

2.5
- Increased income
- Reduction of labour bottle-necks
- Convenience and speed of work
- Cost reduction (Any 3 × 2) (6)

[50]

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QUESTION 3

3.1 Two (1)

3.2
- Chickens
- Crops (2)

3.3

Chicken enterprise: ✓	
GPV	
Sale of chickens to KFC	900 000✓
Total GPV	900 000✓✓
Expenses:	
Production cost of chickens	150 000✓
Total expenditure	150 000✓
Gross margin	750 000✓✓
Crop enterprise✓	
GPV	
Crops sold to Shoprite	
Total GPV	350 000✓
Expenditure:	350 000✓✓
Seed bought from NTK	30 000✓
Fertilizer and spraying materials bought from POP-AGRI	100 000✓
Crop insurance premiums with Murovhi Financial Services	100 000✓
Remuneration of casual workers during harvesting and planting	170 000✓
Total expenditure	400 000✓✓
Gross margin	(50 000) ✓✓

(20)

3.4 Chicken enterprise (2)

3.5 No,✓✓ this is not a meaningful comparison since it is not concerned with a common base of comparison such as profit per ha or per livestock unit.✓✓ (4)

3.6
- Remuneration to permanent staff
- Electricity cost
- Cost of water and fuel
- Insurance of a lorry
- Bank charges
- Legal expenses
- Interest on loan capital
- Land rental
- Other costs of foreign capital
- Accountant fees
- Travelling costs
- Accommodation and meal costs
- Telecommunication costs (13)

3.7 These costs are generally outlined and not specific to any enterprise. (2)

3.8 Crop enterprise (2)

3.9
- Further investigations are required.
- Effect of proposed changes must also be tested by means by supporting budgets. (2 × 2) (4)

[50]

QUESTION 4

4.1
- Mechanical skills✓

Farmers with mechanical background can enjoy cost savings as opposed to those who rely on outside manpower to repair and maintain equipments. ✓✓

- Analytical ability✓

Farming environment is always changing, the farmer must be able to use available data to guard the enterprise against controllable negative factors.✓✓

- Manpower management✓

This is of special importance when farming is labour intensive, since this will greatly influence success. ✓✓

- Financial management✓

Farmers deal with large capital investments. The proper management of finances is a prerequisite for success in any farming enterprise.✓✓ (5 × 3) (15)

4.2
- Most farm businesses are owned by a single individual.
- Some farmers do not have the applicable skills
- Objectives can have monetary and non-monetary meanings
- Objectives can either be specific or general.
- They can be tangible or intangible. (Any 4 × 2) (8)

4.3
- The farm land✓

Land as a production factor has great influence on productivity. If profit is an objective, the farmer has to select crops and animal that are better adaptable to the farm land. ✓✓

- Buildings✓

The construction of a new building always has a large impact on the total structure of the enterprise. It is therefore necessary to do a preliminary evaluation of the investment in buildings. ✓✓

- Machinery and equipment✓✓

Efficient mechanisation management can offer substantial financial advantages to the farmer. The use of machinery and equipment has play a role in the eventual success of the business. ✓✓ (10)

4.4
- Technological changes✓

New seed cultivars, weed and pest control measure, cultivation practices and other technological changes are constantly occurring in farming situations.✓✓

- Economic changes ✓

Demand for agricultural products and influence on product and input price.✓✓

- Political and social changes✓

The manner in which different population groups interact with each other, and the social and political affairs in a country all have a specific influence on agriculture.✓✓

- Political and social responsibility✓

Support programmes that educate the population about the advantages and disadvantages of aspects that directly or indirectly concern agriculture or agricultural products.✓✓ (12)

4.5 Uncertainty about future markets for agricultural products exists in farming situations.✓✓ This is important because it eventually lead to view farming as a speculative field of investment since major deviations in cost and profits usually occur.✓✓✓ (5)

[50]

TOTAL: 200

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