higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N6

10 September 2020

This marking guideline consists of 6 pages.

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SECTION A

QUESTION 1: ANALYSIS AND INTERPRETATION OF FARMING RESULTS

1.1 1.1.1 True
1.1.2 True
1.1.3 True
1.1.4 True
1.1.5 True

(5 × 1) (5)

1.2
- Rates of return
- Cost of foreign capital
- Capital turnover ratio
- Debt servicing ratio (3)

1.3
- Low gross production value
- High costs of production, marketing and administration
- High cost of foreign capital (3)

1.4
- Poor marketing
- Poor farming methods
- Wrong combination of production branches (3)

1.5
- Seed
- Packaging material
- Fuel (3)

1.6
- Permanent labour
- Mechanisation costs
- Remuneration to providers of foreign capital (3)

1.7 1.7.1 Broilers = R50 × 40 000 = R2 000 000✓
Cabbages = R5 × 400 000 = R2 000 000✓✓
GPV of the whole farm = R400 000✓✓

1.7.2 = Man days/ha✓
= 200/20✓✓
= 10 man days/ha✓✓

1.7.3 = Employee cost/ha✓
= 200 000/20✓✓
= R10 000/ha✓✓

1.7.4 = GPV/Employee cost × 100✓
= 400 000/200 000 × 100✓✓
= R200/R100 employees' remuneration✓✓

1.7.5 = Equipment costs/ha✓
= 500 000/20✓✓
= R25 000/ha✓✓

1.7.6 = Quantity/ha✓
= 400 000/20✓✓
= 20 000 cabbages/ha✓✓

(6 × 5) (30)
[50]

TOTAL SECTION A: 50

SECTION B

QUESTION 2: FARM MECHANISATION AND BUILDINGS

2.1
- Speed of work
- Timeliness
- Reduction of cost
- Tax consideration
- Minimise labour bottle-necks (Any relevant 5 × 2) (10)

2.2
- Cost of operators
- Support and additional money required for implements that are not self-propelled
- Chances that the yield will improve
- Time risk
- Investment risk (Any relevant 5 × 2) (10)

2.3
- Can implement perform the task on time?
- Mechanical skills of the farmer
- Yield and quality of produce
- Economical advantage for the farm business
- Reliability of implement (Any relevant 5 × 2) (10)

2.4
- Can the implement perform the task effectively?
- Will the use of the implement lead to increased returns?
- Does the implement fit in with future plans?
- Availability and costs of contractors
- Can the capital invested in implement not be used better elsewhere?

(Any relevant 5 × 2) (10)

2.5
- Proper planning done from scratch
- Increased labour efficiency
- Improving operations
- Lower costs and maintenance
- Enhancement of general appearance (Any relevant 5 × 2) (10)

[50]

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QUESTION 3: RIGHT TO LAND

3.1 3.1.1 $= \frac{\text{Annual net farm income – cost of living}}{\text{Capitalisation rate}} - \text{additional capital}$✓

$= \frac{400\,000 - 150\,000}{0{,}14} - 500\,000$✓✓

= R1 285 714✓✓ (6)

3.1.2 $= \frac{\text{Annual net farm income – cost of living}}{\text{Capitalisation rate}} - \text{additional capital}$✓

$= \frac{400\,000 - 200\,000}{0{,}12} - 300\,000$✓✓

= R1 366 666✓✓ (6)

3.1.3 Based on income potential of land (2)

3.2
- Responsibilities must be clearly indicated
- Dates for fixed costs payments must be clearly stated
- Comprehensive record keeping is obligatory
- Agreement must have economic advantages
- Individual contributions must be clearly indicated (5 × 2) (10)

3.3 3.3.1 Restoration of right to land dispossessed after 19 June 1913 as a result of past racially discriminatory laws

3.3.2 Purposive change in the way in which agricultural land is held or owned, methods of cultivation employed, or relation of agriculture to rest of economy

3.3.3 Act of government in taking privately owned land to be used for purposes designed to benefit the overall public.

(3 × 2) (6)

3.4 3.4.1 $\frac{\text{Annual NFI – cost of living}}{\text{Applicable amortisation factof}}$ (2)

3.4.2 $\frac{\text{Land price + additional capital – maximum mortgage loan}}{\text{Total capital investment – maximum mortgage loan}}$ (2 × 2) (4)

3.5
- Land ownership can secure credit for the farmer
- Land ownership can put cash position under pressure in poor years
- Land ownership has great prestige value
- It is easy to make improvements on own land
- It is possible that land value can depreciate
- Landownership can create less flexibility in farming
- Landownership requires lots of money
- Uncertainties may arise with leasing of land (Any 7 × 2) (14)

[50]

QUESTION 4: DEVELOPMENT OF FARMING STRATEGY

4.1 Production uncertainties
- The quality and yield will frequently vary from season without the farmer changing his input or production process in any way.
- Fluctuations in the weather conditions, that are neither controllable nor predictable, are the major reasons for this.
- Other factors that can play a role in the variation of production are pests and plagues such as insects, diseases and weeds. (Any relevant TWO)

Market and price uncertainties
- Uncertainty about future markets for agricultural products and therefore also about the price of agricultural products, is an important source of uncertainty in agricultural production.
- Fluctuations in both supply and demand have frequently been responsible for wide variations in price which, in turn, have contributed to fluctuations in farmer's profits.

Input uncertainties
- The availability, quality and prices of inputs can vary greatly as a result of climatic conditions and other factors.
- Favourable climatic conditions lead to lower input costs and vice-versa.

(ONE mark for risk + TWO marks for each explanation) (Any relevant 3 × 5) (15)

4.2
- Diversification
- Flexibility
- Liquidity management
- Storage
- Adapted farming systems
- Sound farming systems
- Contracts
- Forecasting
- Insurance (Any relevant 9 × 2) (18)

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4.3
- Choice of crop
- Farming methods
- Technical knowledge
- Extent of production
- Input cost
- Selling price (Any relevant 6 × 1) (6)

4.4
- Seed cultivars
- Type and quantity of fertiliser
- Planting density
- Pest and weed control
- Planting and harvesting dates
- Cultivation practices (6)

4.5
- Strategic planning
- Mission and vision are translated into specific measurable targets
- Provides direction
- Clearer focus on what is important
- Clarity in decision making
- Gives you control of your future
- Provides motivation
- Gives you a sense of personal satisfaction (Any 5 × 1) (5)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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