higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N6

(4090506)

10 September 2020 (X-paper)
09:00–12:00

Nonprogrammable calculators may be used.

This question paper consists of 6 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
FINANCIAL MANAGEMENT: FARMING N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Read all the questions carefully.
2. Answer all the questions.
3. Number the answers according to the numbering system used in this question paper.
4. Start each question on a new page.
5. Write neatly and legibly.

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SECTION A

QUESTION 1: ANALYSIS AND INTERPRETATION OF FARMING RESULTS

1.1 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 Land rental and interest on debt are not the only items comprising remuneration of foreign capital regarding farming business.

1.1.2 Farming profit may be used interchangeably for remuneration of own labour input, own capital, own management and entrepreneurship.

1.1.3 One production branch, although low in profitability, may contribute to high profitability of another production branch.

1.1.4 The value of analysis must neither be underestimated nor overestimated.

1.1.5 Branch analysis attempts amongst other things to determine relative profitability.

(5 × 1) (5)

1.2 Name THREE important farm balance sheets/income statement analyses. (3)

1.3 State THREE factors that may lead to the unsatisfactory profitability of farming enterprises. (3)

1.4 Which THREE factors, other than the size of a farming enterprise, are attributed to low gross production? (3)

1.5 Name THREE cost items that can normally be classified as directly allocatable variable costs. (3)

1.6 Name THREE cost items that can be challenging to classify in a farming enterprise. (3)

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1.7 The following expenditure and gross production information were taken from the books of Blessing Farm in Tzaneen, which produces broilers and a cash crop. The total area under cultivation is 20 ha. Records indicate that 40 000 broilers are sold annually.

COSTS	**AMOUNT IN RANDS**
Sawdust	25 000
Day-old chicks	340 000
Vaccination	5 000
Fuel and oil	100 000
Electricity	50 000
Labour	200 000
Repair costs	50 000
Fertiliser and seeds	25 000
Insecticides	10 000
Interest on loan	20 000
Land rental (5 ha)	80 000

Additional information:

Book value of equipment: R500 000
Manpower input: 200 days
Unit price of broilers: R50,00
400 000 cabbages sold at R5 each

Use the information to determine the following. Show all calculations.

1.7.1 Gross production value of farm

1.7.2 Relationship between manpower and cultivated area

1.7.3 Relationship between manpower cost and cultivated area

1.7.4 Relationship between gross production value and labour cost

1.7.5 Relationship between equipment cost and cultivated area

1.7.6 Efficiency of crop enterprise

(6 × 5) (30)
[50]

TOTAL SECTION A: 50

SECTION B

QUESTION 2: FARM MECHANISATION AND BUILDINGS

2.1 Give FIVE advantages of mechanising farming business operations. (10)

2.2 Name FIVE aspects which must be considered when choosing between buying and hiring farm implements. (10)

2.3 State FIVE factors a farmer has to take into account before purchasing used implements. (10)

2.4 Which questions should a farmer ask himself to be able to choose the correct implements? (5 × 2) (10)

2.5 What are the benefits of erecting new farm buildings? (5 × 2) (10)

[50]

QUESTION 3: RIGHT TO LAND

3.1 Ndwande and Koos are both interested in buying a farm which is in the market in Kwazulu-Natal. Both regard the net farming income of R400 000 as attainable and realistic. They will be dependent on the farm for their personal and other family expenses.

Ndwande:

Cost of living	R150 000 per annum
Capitalisation rate	14%
Additional capital requirement	R500 000

Koos:

Cost of living	R200 000 per annum
Capitalisation rate	12%
Additional capital requirement	R300 000

Use the information above to answer the questions.

3.1.1 Determine the land price according to Ndwande's requirements. (6)

3.1.2 Determine the land price according to Koos's requirements. (6)

3.1.3 Which method of pricing are Koos and Ndwande using? (2)

3.2 State FIVE general aspects a farmer should consider so that a lease agreement achieves its objectives and targets. (10)

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3.3 Write short notes on each of the following concepts:

3.3.1 Land restitution

3.3.2 Land reform

3.3.3 Land expropriation

(3 × 2) (6)

3.4 Give the formulas for determining each of the following regarding the buying of land:

3.4.1 Maximum mortgage loan (2)

3.4.2 Minimum own capital

(2 × 2) (4)

3.5 Give SEVEN reasons why there is no obvious conclusion on whether it is more advantageous to buy land rather than to lease it for farming purposes. (14)

[50]

QUESTION 4: DEVELOPMENT OF FARMING STRATEGY

4.1 Name and discuss THREE different sources of risks and uncertainties in farming. (3 × 5) (15)

4.2 Give NINE management strategies and actions farmers can use to reduce the risks and uncertainties of farming. (18)

4.3 Give SIX factors which influence the profitability of a crop. (6)

4.4 Name SIX factors over which the farmer has control which may have an influence on crop yield. (6)

4.5 State FIVE reasons why it is important to set objectives and targets in a farming enterprise. (5)

[50]

TOTAL SECTION B: 150
GRAND TOTAL: 200

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