higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

MANAGEMENT: FARMING N5

6 JUNE 2018

This marking guideline consists of 8 pages.

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QUESTION 1

1.1 1.1.1
- The entrepreneurial process
- Personality attributes of entrepreneurs (2)

1.1.2
- Creation of an organisation
- Economic innovation
- Profit seeking in the market-focused sector (3)

1.1.3
- Combine factors of production
- Determine rewards for factors of production
- Planning the organisation
- Risk taking
- Expansion of business (5)

1.1.4
- Development of natural resources
- Create job opportunities
- Leadership in production
- Entrepreneurship as component of the free market system

(4 × 2) (8)

1.1.5
- Discrimination against smaller enterprises
- Change in the economic climate
- Change in the political environment
- Demographic changes
- Change in buying patterns of consumers
- Change in consumer behavior

(Any FIVE appropriate answers × 1) (5)

1.2

	PARTNERSHIP	CLOSED CORPORATIONS
1.2.1	Does not have legal personality	Has own legal personality
1.2.2	Unlimited	Limited and members may be required to sign surety for debts
1.2.3	2–20	1–10
1.2.4	Cannot continue after death of a partner	Can continue even after death of a member
1.2.5	Taxed on the partner's profit	On members tax returns

(5 × 2) (10)

1.3 Sole trader – is a business that was created by an individual and all profits goes to the owner of the business (2)

1.4
- Establishment is simple.
- All profits of the business belong to the owner.
- Termination of sole trader is relatively easy.
- Personal attention to the owner.
- Owner takes decision him/herself.
- Owner only taxed once on the personal income of the owner. (5 × 1) (5)

[40]

QUESTION 2

2.1 2.1.1 Partnership – is the agreement among two or more parties. (2)

2.1.2
- Mutual agreement among all partners.
- When termination (due) date of the partnership is reached.
- When changes to membership occur.
- If a partner is declared insolvent in his personal capacity then the partnership is dissolved. (4)

2.1.3
- Partners operate in good faith towards others.
- Each partner has to contribute what has agreed upon in the contract and co-partners have the right to demand the promised contribution form another partner.
- Each partner has the right to share in any profits.
- Each partner has the right to have access to and the use of any of the assets belonging to the partnership.
- A partner may be reimbursed for any expenses that he has personally incurred and also for any losses that may suffer in the execution of his partnership responsibilities.
- Each partner has the right to represent the partnership and co-partners if the transaction is within the nature of the partnership activities.
- Each partner has the right to have insight into the financial records of the partnership.
- Partners have to provide co-partners with accounts regarding the transactions that are entered into on behalf of the business. (Any 6 × 1) (6)

2.2
- Is a separate legal entity.
- Offers continuity to its members because it is a legal person.
- Setting up is relatively cheap and easy.
- Management is quite flexible.
- Decision making structures are not complex.
- May buy its members interest and provide financial assistance to its members.
- A closed corporation may buy shares in a company and may also manage a company. (Any 6 × 2) (12)

2.3 2.3.1 Risk

- Indicates a situation where there is adequate information about the possible result✓ so that the expectation can be based on statistical probabilities.✓

Uncertainty

- Indicates imperfect or inadequate knowledge✓ about the results of a certain action.✓ (4)

2.3.2

- Production uncertainties
- Price uncertainties
- Risk due to ageing (obsolescence)
- Political and social uncertainties
- Human uncertainties
- Financial uncertainties
- Mechanical uncertainties
- Uncertainties due to the elements of nature and human intervention (8)

2.3.3

- Diversification
- Flexibility of the business
- Storage and building up reserves
- Contracts
- Forecasting with the aid of available information

(Any 4 × 1) (4)
[40]

QUESTION 3

3.1 3.1.1

- Last for three to ten years and even more
- Centered on all aspects of the entire business
- It is focused on the future and considers all possible environment changes
- Continuous adaptation to the environment
- It is general broad guidelines of the business (5)

3.1.2

- Enabled to investigate and evaluate the external environment.
- More profitable opportunities for the farm may be identified.
- Requires a better understanding and awareness of opportunities as well as threats in the external environment.
- Resources on the farm can then easily be applied to address the demands of the environment.
- Farmer's actions and thoughts according to a long term plan.
- Provides guidance to the farmer in managing his daily activities.
- Provides a framework for decision-making. (Any 5 × 1) (5)

3.2
- Choice of crop(s)
- Production system used
- Level of technical competencies
- Extent of production
- Input cost
- Output (Any 5 × 1) (5)

3.3
- Managerial competencies
- Objectives of the farmer
- Personal preferences
- Available physical resources
- Availability of the markets (5)

3.4 Technological developments✓
- Must make adaptations to developments of technology.✓
- Such as seed cultivars, herbicides and pesticides, cultivation practices, mechanical equipment.✓

Economic changes✓
- Demand of agricultural produce.✓
- Both local and international supply of goods, price fluctuations in input cost on the farm.✓

Political changes✓
- The legislation, land restoration policies, political policies regarding the demand for agricultural produce.✓
- Agricultural policies followed by the government (subsidies).✓

Social changes✓
- Changes in the behavior and composition of the population,
- Increase and decrease in population numbers.✓
- Demographic changes.✓ (4 × 3) (12)

3.5
- What are the future objectives of the farmer?
- What are the current objectives and strategies of the farmer?
- What are the strength and weakness of the farmer?
- What resources do farmer have at his disposal?
- What are the charactestics of the farming environment?
- What strategic opportunities are present in the immediate environment?
- How can the farmer exploit these opportunities through his and his enterprise's strengths?
- To what extent will the strategy be adapted to exploit these opportunities?
- How will the new strategy be implemented?
- What control measures can be put in place to better the chances of success? (Any 8 × 1) (8)

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QUESTION 4

4.1 4.1.1 *Testate succession* takes place when the testator has a legal will on his death✓✓ while *Intestate succession* takes pace when a person does not have a legal will at his death.✓✓

4.1.2 *Legatee* is a person who receives a specific asset as described in the will✓✓ while *heir* receives part of or the entire bequest, any other remnant after the debts of the will have been paid and the legatees received their part of the bequest.✓✓

4.1.3 *Substitution* happens when the testator identifies an alternative beneficiary for a particular asset✓✓ while *codicil* refers to any further additions or alterations to the will.✓✓

(3 × 4) (12)

4.2
- The will must be signed in full at the end of the document by testator/testatrix.
- Another person can sign on his/her behalf in testator/testatrix presence.
- If the testator only makes a mark (cannot write) and someone else signs the will on his behalf, then the will must have certificate of magistrate, justice of peace, commissioner of oath or a notary.
- The undersigning of a will must take place in the presence of at least two qualified witnesses.
- The witnesses must sign the will in the presence of the testator or the person who signs on behalf of the testator.
- All pages on the will must be signed. (Any 5 × 2) (10)

4.3
- The will must provide sufficient funds to the surviving spouse/partner for the rest of her.
- The will must provide for continuity of the farming business.
- The will must divide the assets fairly.
- The will must be designed in such a way that income tax, as well as estate taxation be minimized.
- The will must allow the testator to keep control over his assets as long as he lives.
- The will should not create unnecessary delays or high costs in the administration of the estate.
- The will must be simple and easily understood.
- The will needs to be updated regularly. (Any 4 × 2) (8)

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4.4
- To manage the minor's inheritance.
- To allow competent people to manage the funds of minors who do not have the necessary knowledge to do so.
- To involve experts in a formal way in the management of assets and investment of cash funds from an estate.
- To provide for the continuation of the farming business.
- To provide for flexibility in the final division of assets.
- To save income tax and estate tax/duties. (Any 5 × 1) (5)

4.5
- The creator of the trust
- Family members
- Friends
- Banks or trust companies
- Professional persons, i.e., attorneys or auditors (5)

[40]

QUESTION 5

5.1
5.1.1 B
5.1.2 D
5.1.3 F
5.1.4 A
5.1.5 C

(5 × 2) (10)

5.2
- These policies differ from ordinary policies in that the premiums are tax-deductible from income to a maximum amount.
- The yield generated on the policy is again taxable when paid out.
- At retirement, one third of the funds is available to be taken up and is tax exempted.
- At an early death of the insured, all payments contributed to the fund plus the percentage compound interest, as well as one third of the remainder are tax-exempt.
- In the case of ordinary policies for individuals, the premium is non-deductible for tax purposes.
- Retirement annuities can be bought with either life coverage or without.
- Annuities cannot be redeemed or ceded to third parties.
- This method of saving is a safe option for investment.
- No claim can be made against this money in case of insolvency.
- The yield of retirement annuities may be taken up before the age of 55 years. (10 × 1) (10)

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5.3 5.3.1
- Losses due to weather conditions.
- It includes droughts, floods, hail, wind, frost, snow, thunder and lightning.
- It also covers losses due to plant diseases.
- Losses due to pest.
- Damaged caused by animals, fire damage and earthquakes.

(Any 4 × 1) (4)

5.3.2
- Damage caused by negligence
- Poor cultivation practices
- Theft of crops (3)

5.3.3
- Premiums are determined by the level of risk based on the historical losses in the area.
- The amount of capital investment per hectare for that crop.
- Premiums are calculated per hectare of the crop, as well as the potential value of the crop. (3)

5.4 5.4.1 Compensation
- The principle is applicable to short term insurance.
- To restore to exactly the same financial position that he was in before the insured incident took place.
- The insured is compensated for the actual loss suffered.
- Insured assets must be insured for the full value.
- The maximum amount that can be compensated may never exceed the insured amount.

5.4.2 Security
- Is aimed at coverage against a definite occurrence, such as death or reaching specific age.
- Provision is made for the payment of a specified amount of money.
- It is not possible to determine the actual value of the loss.
- The sudden death of the insured may cause serious financial implications for the dependents.
- Provides security for the future of the dependents.

(2 × 5) (10)
[40]

TOTAL: 200

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