higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

MANAGEMENT: FARMING N5

27 May 2021

This marking guideline consists of 8 pages.

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QUESTION 1

1.1
1.1.1 B
1.1.2 B
1.1.3 C
1.1.4 B
1.1.5 C
1.1.6 B
1.1.7 C
1.1.8 C
1.1.9 C
1.1.10 D

(10 × 1) (10)

1.2 1.2.1
- To operate in the common interest of all the parties
- To share profits according to the contributions (2)

1.2.2
- Each partner needs to make a contribution towards the business.
- Profit-taking must be the main motive of the business.
- The partnership must function in such a way that all parties have a common interest in the agreement. (3 × 2) (6)

1.2.3
- When there is mutual agreement among all partners
- When the termination (due) date of the partnership is reached
- When changes occur to the membership
- When a partner is declared insolvent in his/her personal capacity, the partnership is dissolved (4)

1.2.4
- It is easy and affordable to establish a partnership.
- Partners are taxed individually according to their respective shares.
- The management and control are not regulated by legislation.
- It offers advantage to more than one person.
- Partners usually have a personal interest in the success of the partnership.
- Dissolution of a partnership is relatively easy. (Any 5 × 1) (5)

1.3 1.3.1
- Memorandum of Association
- Memorandum of Incorporation (2)

1.3.2
- Companies with share capital
- Companies limited by guarantee (2)

1.3.3
- Transfers are simplified
- Continuity is simplified
- Limited liability
- Estate taxation benefits
- Possible increase in efficiency (5)

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1.3.4
- In the taxation of companies a single fixed rate is applied.
- Private companies are taxed according to a fixed rate, irrespective of the income levels of the company.
- However, private individuals pay tax according to a sliding scale, the higher the income, the higher the tax rate.
- Companies are not entitled to rebates on income.
- The shareholders also pay tax on the dividends declared by the company. (Any 4 × 1) (4)

[40]

QUESTION 2

2.1
2.1.1 True
2.1.2 True
2.1.3 False
2.1.4 True
2.1.5 True

(5 × 1) (5)

2.2 Development of natural resources✓
- The entrepreneur is responsible for economic innovation. This is a process where natural resources are utilised to produce consumable goods and other raw materials.✓✓

Create job opportunities✓
- In order to produce consumable goods and raw materials, the farmer needs labour and other production inputs.✓✓

Leadership in production✓
- Agricultural entrepreneurs usually take the lead in the agricultural sector when new technology is implemented.✓✓

Entrepreneurship as a component of the free-market system.✓
- The free market can only operate once there is a demand for and a reliable supply of products and services in the market.✓✓ (4 × 3) (12)

2.3 Combine factors of production✓
- Any business enterprise is a creative activity where different factors of production are applied to deliver the end result.✓✓

Determine rewards for factors of production✓
- It is the responsibility of the entrepreneur to determine the rand value of the different factors of production.✓✓

Planning the organisation✓
- The entrepreneur is responsible for the planning of the different management facets, i.e. finance, marketing, human resources and production.✓✓

Risk-taking✓
- The willingness to take risks is one of the outstanding characteristics of an entrepreneur.✓✓

Expansion of business✓
- The entrepreneur is responsible for the expansion and progress in the business.✓✓ (5 × 3) (15)

2.4
- Create an entrepreneurial culture.
- Accommodate entrepreneurship.
- Ensure that the entrepreneur is fit for the job.
- Reward the entrepreneur. (4 × 2) (8)

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QUESTION 3

3.1 3.1.1
- It is focused on a time frame of three to ten years and even longer.
- It is the centre of all aspects of the entire business.
- It is focused on the future.
- It adapts to the environment.
- It provides broad general guidelines.
- The resources and expertise are focussed on the farming concern. (Any 5 × 1) (5)

3.1.2
- It enables the investigation and evaluation of the external environment.
- More profitable opportunities for the farm may be identified.
- It allows a better understanding and awareness of opportunities
- and threats in the external environment.
- Any resources on the farm can easily be applied to address the demands of the environment and weak points in the management.
- This will lead to a more profitable farming enterprise.
- It focuses the farmer's actions and thoughts according to a long-term plan.
- It provides guidance to farmers in managing the daily activities on the farm.
- It provides a framework for decision making. (Any 4 × 1) (4)

3.1.3
- Identify the resource with the greatest limitation (i.e. land, capital, labour or entrepreneurship).
- Plan how more of this scarce factor(s) will be sourced.
- Plan the branches in such a way that only small quantities thereof are needed. (3)

3.1.4
- The environment changes constantly and management must keep pace with changes.
- Factors in the environment should be identified that may be a threat to the objectives and strategy of the farming concern.
- It needs to be determined which factors offer opportunities in reaching goals through deviations in the strategy.
- There is a bigger chance of success when the environment is analysed systematically. (4 × 2) (8)

3.2 3.2.1
- Choice of crops
- Production system used
- Level of technical competencies
- Extent of production
- Input cost
- Output (Any 5 × 1) (5)

3.2.2
- Variety of seed used
- Type and quantity of fertilisers used
- Planting density
- Pesticides and herbicides
- Plant and harvest dates
- Cultivation practices (Any 5 × 1) (5)

3.3 3.3.1
- Increased manpower efficiency
- Later additions to the building might be more effective
- A new and possibly better site or situation for the new building
- Lower maintenance and repair costs
- A better general appearance (5)

3.3.2
- Less management time available for the crop and animal production.
- Smaller workforce available for farming activities.
- Craftsmanship may not be as good or
- inferior.
- Possible delays in the completion of the building. (5)

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QUESTION 4

4.1
- Within 14 days of death the next of kin must hand in a notice of death/a death certificate, identity document and provisional inventory of the deceased assets.
- If the assets of the deceased require attention, the master of the supreme court will appoint an intermediate curator to take care of the assets.
- The master of the supreme court appoints an executor by issuing an executor's letter.
- The executor then provides a statement of income of the deceased since the last tax return at the time of death to SARS.
- He/she has to pay all outstanding accounts to creditors, as well as collect all outstanding income of the deceased.
- The executor draws up a liquidation and distribution account, which details the net value of all assets, as well as liabilities of the estate and how the funds will be distributed and then hands that in to the master of the supreme court for investigation and approval.
- The distribution account shows how the net value of all assets will be distributed among the beneficiaries.
- At the same time the executor will prepare a summary for estate taxation on the prescribed form and hand it in at the master of the supreme court.
- Thereafter the assets are divided according to the distribution account and carried over to the heirs and legatees.
- Any inheritance to a minor will be placed in the Guardian's Fund as stipulated by the Estate Act.
- On completion of the estate, the executor can apply to the master of the supreme court to be dismissed from his/her duties as executor.
- Normally it does not take longer than six months to complete the administration of a uncomplicated estate. (Any 10 × 2) (20)

4.2
- Provide sufficient funds to the surviving spouse/partner.
- Provide continuity for the farming business.
- Divide the assets fairly.
- Designed in such a way that income tax and estate taxation be minimised.
- Allow testator to keep control over his/her assets as long as he/she lives.
- Should not create unnecessary delays or high costs in the administration of the estate.
- Should be simple and easily understood.
- Should be updated regularly. (8)

4.3 4.3.1
- 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 expects in a formal way in the management of assets and investments of cash funds from the 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)

4.3.2
- The creator of the trust
- Family members
- Friends
- Banks or trust companies
- Professional persons, i.e. attorneys or auditors (5)

4.3.3 It is a legal arrangement which involves a person (the settlor) transferring a legal title of assets to another person or body (the trustees) to hold for the benefit of one or more persons (the beneficiaries) which may include the settlor. (2)

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QUESTION 5

5.1

SHORT-TERM INSURANCE	LONG-TERM INSURANCE
• Contracts are renewed yearly • The insured is paid out according to loss or damage. • The taxation on these policies determined by SARS stipulates that the yield can be capital in nature. • The premiums paid on insuring assets that are utilised in the running of the business can be tax-deductible. • Income from insurance is capital in nature.	• The insured amount will be paid out at the death of the insured or • when the insured is permanently disabled or • at the end of a specified period of time as valued at that time. • Ensured by a stable and constant flow of premiums over the long term from policies and from funds generated through the investment of capital • as well as the minor chance of the insurer paying a huge amount for a claim.

(5 × 2) (10)

5.2 5.2.1
- Short-term insurance
- Possible losses
- Placed in the same position as before loss
- Remunerated for actual losses
- Insured for the full value

5.2.2
- Long-term insurance
- Definite event
- Time of event
- Give security to dependants
- Make provision for future

(2 × 5) (10)

5.3
- These policies differ from ordinary policies.
- The premiums are tax-deductible from income to a maximum amount.
- The yield generated on the policy is again taxable when paid out, although only partially.
- At an early death of the insured, all payments contributed to the fund plus percentage compound interest,
- As well as one third of the remainder is tax-exempted.
- The total yield is payable in the form of a single cash amount, plus annual (or monthly) pension amount.
- The single cash amount is tax-exempt to a certain amount.
- The balance is payable in the form of an annuity that is taxable.
- Retirement annuities can be bought with either life coverage or without.
- Retirement annuities are aimed at private businesses, farmers and professional persons who don't belong to Government Pension Funds
- The yield of retirement annuities may not be taken before the age of 55 years. (Any 5 × 2) (10)

5.4
- Covers farmer against unforeseen losses suffered due to weather conditions.✓
- Includes droughts, floods, hail, frost, snow, thunder and lightning.
- Covers losses due to plant diseases and pests.✓
- Covers losses due to wild animals, fire damage and earthquakes..✓
- Does not cover the farmer against damages caused by negligence,✓ poor cultivation practices✓ or theft of crops.✓
- The premiums of harvest insurance are determined by the level of risk based on historical losses in the area✓ and the amount of capital investment per hectare for that crop.✓
- Premiums are usually calculated per hectare of the crop✓ as well as the potential value of the crop.✓ (Any 5 × 2) (10)

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TOTAL: 200

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