higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

MANAGEMENT: FARMING N5

28 September 2020

This marking guideline consists of 8 pages.

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QUESTION 1

1.1
- A certain percentage of the current commercial farmers will continue to operate as bona fide farmers.✓
- These farmers will have existed in the free-market system with less technical, marketing and financial support.✓
- More entrepreneurial skill as well as better managerial capabilities must be applied in order to develop and grow the farming concern.✓
- Greater innovation from the farmer will be needed to overcome problems and risks.✓

- Some farmers will farm part-time and will also have another occupation or job.✓
- Thousands of farmers are already in this position.✓
- The trend for more farmers in this category increase due to the economic climate.✓

- Other farmers and some part-time farmers will be forced to leave their farms due to various reasons, i.e. droughts.✓
- Diminishing support from government, as well as the transfer of land to previously disadvantaged populations.✓✓ (9)

1.2 Step 1: Create an entrepreneurial culture✓

Created by investigating innovate ideas and by seeing changes as an opportunity rather than a threat.✓✓

Step 2: Accommodate entrepreneurship✓

The business must be open to entrepreneurial skills and ideas. This can be achieved by changing business practices,✓ restructuring the organisational structure, changes in staff recruitment, personnel management and remuneration policies, as well as incentive schemes for employees.✓

Step 3: Ensure that the entrepreneur is fit for the job✓

A few questions need to be answered:
- What are the assumptions regarding consumers and markets?✓
- Which work must be done?✓
- How much money and time are needed for the project?✓
- How many people are involved?✓
- What results are expected?✓

Step 4: Reward the entrepreneur✓

The entrepreneur should be rewarded for the achievement reached.✓✓ (12)

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1.3 Development of natural resources✓

- Responsible for economic innovation. In the agricultural sense 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.✓✓

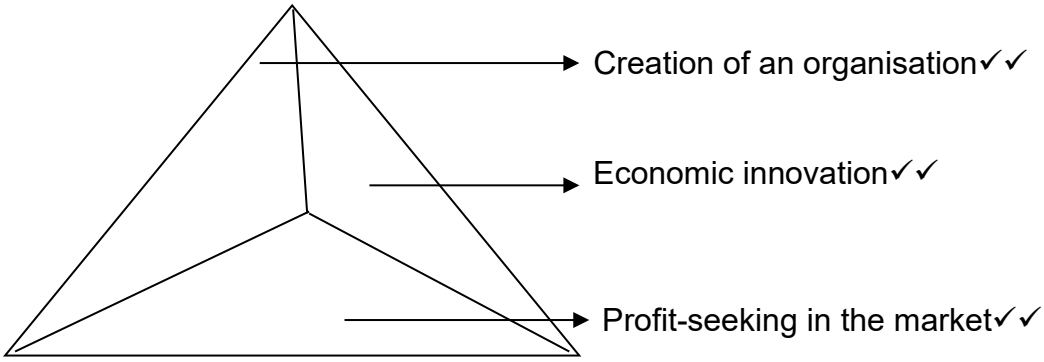
Leadership in production✓

- Agricultural entrepreneurs usually take lead in the agricultural sector when new technology is implemented, as they are willing to take risks.✓✓

Entrepreneurship is a component of the free-market system✓

- The free-market system can only operate when there is a demand for and a reliable supply of products and services in the market.✓✓ (12)

1.4



(3 × 2) (6)

1.5
- Entrepreneurial process
- Personality attributes of the entrepreneur (Any 1 × 1) (1)

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QUESTION 2

2.1

	PARTNERSHIPS	CLOSED CORPORATIONS
2.1.1	2–20✓	1–10✓
2.1.2	Limited continuity✓	Unlimited✓
2.1.3	Unlimited✓	Limited✓
2.1.4	Partners profit✓	Based on members interest✓
2.1.5	Member contributions✓	Shares✓

(5 × 2) (10)

2.2 2.2.1 Described as a form of ownership that is operated by an individual who is the owner of all assets in the business. (2)

2.2.2
- Establishment is relatively easy.
- All profits of the business belong to the owner.
- The success of the business relies on the owner.
- The business is taxed on the personal income of the owner.
- All attention goes to the owner.
- The business can be easily terminated. (Any 4 × 2) (8)

2.2.3
- The owner is personally liable for any debts incurred by the business.
- Financial assistance and expansion possibilities are limited to the creditworthiness of the owner.
- The business relies on the knowledge and skill of the owner during decision making.
- The continuity of this form of ownership is dependent on the lifespan of the owner. (4 × 2) (8)

2.3 2.3.1 Defined as a relation or agreement that is contracted between two or more members who will then operate the business. (2)

2.3.2
- Each partner needs to make a contribution towards the business.
- Profit-taking must be the main motive of the business.
- The partnership must be operated with a common interest of all parties to the agreement. (3 × 2) (6)

2.3.3
- A partnership is not taxed separately from the individual partners.
- Partners are taxed individually according to their respective shares in the profits of the partnership. (2 × 2) (4)

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QUESTION 3

3.1 3.1.1
- Choice of crops
- Production system used
- Level of technical competencies
- Extent of production
- Input cost
- Output (Any 5 × 1) (5)

3.1.2
- Soil types
- Expected crop yields
- Slope of soil
- Soil erosion
- Hygroscopicity
- Drainage
- Soil fertility (Any 5 × 1) (5)

3.1.3
- Total hectares
- Arable areas
- Cultivated fields
- Cultivated pastures
- Cultivated orchards, plantations
- Farm yards and waste lands (Any 5 × 1) (5)

3.2 3.2.1
- The environment changes constantly
- 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. (5 × 2) (10)

3.2.2
Technological developments✓
- There are continuous developments by the government,✓ industry and farmers in new seed cultivars, herbicides and pesticides.✓

Economic changes✓
- The demand for agricultural produce,✓ the local and international supply of goods, price fluctuations in input cost, interest rates of financing and the inflation rate, require price changes.✓

Political changes✓
- Legislation, land restoration policies, political policies regarding the demand for agricultural produce.✓✓

Social changes✓
- Changes in the behaviour and composition of the population or community that can influence the farmer are✓ the increase or decrease in population numbers.✓ (4 × 3) (12)

3.2.3
- Profitability of production
- Factors that influence the profitability of production
- Price of petrol (3)

[40]

QUESTION 4

4.1 4.1.1 Testate succession
Takes place when the testator has a legal will at his death.

4.1.2 Legatee
Is a person who receives specific assets as described in the will?

4.1.3 Codicil
Later statements or additions to a will.

4.1.4 Heir
Receives part of or the entire bequest, or any other remnant after the debts of the will have been paid.

4.1.5 Substitution
Indicates that the testator names an alternative heir in the instances where the heir dies before he/she should receive the inheritance.

(5 × 2) (10)

4.2 4.2.1
- 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, as well as estate taxation are 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.
- Simple and easily understood.
- Updated regularly. (8)

4.2.2
- Signed by testator/testatrix
- If testator only made a mark or signed by someone else/
- Certificate of magistrate, justice of the peace, commissioner of oaths or notary.
- Two or more witnesses present
- Not advantages received/at least 14 years old.
- Witnesses must also sign
- In the presence of testator/testatrix
- Each page must be signed
- The same way
- Later cancellations, additions, changes must comply with the same requirements. (10)

4.2.3
- Notice of death
- Death certificate
- Identity document
- Provisional inventory
- Latest testament (will) (5)

4.3
- The creator of the trust
- Family members
- Friends
- Banks or trust companies
- Professional persons, i.e. attorneys or auditors (5)

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

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QUESTION 5

5.1 5.1.1 Short-term insurance
- Contracts are renewed yearly
- The insured are paid out according to his/her loss or damage
- The taxation on these policies determined by SARS stipulated that the yield can either be of 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 of capital in nature (5 × 2) (10)

5.1.2 Long-term insurance
- The insured amount will be paid out at the death of the insured or
- The at the insured's permanent disability or
- At the end of a specified period of time as valued at that time.
- Ensured of a stable and constant flow of premiums over the long term from new policies and from funds generated through investment of capital.
- As well as the minor chances of being paid huge amounts for claims. (5 × 2) (10)

5.2
- What are the possibilities that a certain kind of loss will occur?
- What will the extent of this loss be?
- How can insurance be utilised to protect the farmer against these losses?
- What will the cost of such insurance be? (4)

5.3
- The insurance portfolio of any farmer must include cover against damages by fire, wind and hail to buildings, machinery and equipment and animals.
- As well as to the content of buildings.
- Insurance companies are willing to extend their insurance cover of property to include damages caused by riots, unrest and explosions.
- Property must be insured at realistic value to prevent over and under insurance. (Any 3 × 2) (6)

5.4 5.4.1
- Unforeseen losses suffered due to weather conditions, droughts, floods, hail, frost, snow, thunder and lightning.
- Losses due to plant diseases and pests.
- Damage caused by wild animals, fire damage and earthquakes. (3)

5.4.2
- Negligence
- Poor cultivation practices
- Theft (3)

5.4.3
- Premiums 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.✓
- Calculated per hectare of the crop,✓ as well as the potential value of the crop.✓ (4)

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TOTAL: 200

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