



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N4

15 NOVEMBER 2019

This marking guideline consists of 7 pages.

- 2.3.2 In this phase the total production curve still increases at a decreasing rate until it eventually reaches a maximum,✓ where the rate of increase equals to zero.✓ In this phase, AP starts to decrease from point B throughout with any change in an input application.✓ MP curve also decreases, it lies below AP curve.✓ The most efficient input application and most profitable production occur in this phase.✓ This is a rational phase.✓ (6)
- 2.3.3 The total production (TP) curve starts to decline;✓ the MP curve is negative as a result of a drop in the total product.✓ Even if it had been possible to add extra inputs free of charge,✓ it would be useless because one additional unit result in an absolute drop in yield.✓ The production in this phase is irrational.✓ (5)
- 2.4
- | | |
|--------|-------|
| 2.4.1 | True |
| 2.4.2 | True |
| 2.4.3 | False |
| 2.4.4 | False |
| 2.4.5 | False |
| 2.4.6 | True |
| 2.4.7 | True |
| 2.4.8 | True |
| 2.4.9 | False |
| 2.4.10 | True |
- (10 × 1) (10)
- 2.5
- 2.5.1 Average product = $\frac{\text{Total product}}{\text{Input level}}$ ✓
 $= \frac{1\,350 \text{ kg/ha}}{60 \text{ kg/ha}}$ ✓
 $= 22,5 \text{ kg canola/kg phosphate}$ ✓ (5)
- 2.5.2 Marginal yield = $\frac{\Delta \text{total product}}{\Delta \text{input level}}$ ✓
 $= \frac{(1\,350 - 910) \text{ kg/ha}}{(60 - 40) \text{ kg/ha}}$ ✓
 $= \frac{440}{20}$ ✓
 $= 22 \text{ kg canola/kg phosphate}$ ✓ (6)
- 2.5.3
- Price✓ of input✓
 - Price✓ of output✓
- (2 × 2) (4)
[50]

QUESTION 3: THE FARMING BALANCE SHEET

- 3.1 3.1.1 Net worth✓✓
 3.1.2 Insolvent✓ or bankruptcy✓
 3.1.3 Movable✓ assets✓
 3.1.4 Financial✓ structure✓
 3.1.5 Foreign✓ capital✓
(5 × 2) (10)

- 3.2 • To serve as basis for negotiating with the providers of loan capital
 • As an aid to scientific decision-making (management of the farm) (2)

- 3.3 Value of leased land is used in calculating✓ the total foreign capital.✓ (2)

- 3.4 3.4.1

Outstanding account at NTK	✓3 000
Bank overdraft at ABSA	✓30 000
Total	✓R33 000

(3)

- 3.4.2

Balance 5 years purchase agreement with Standard Bank✓	✓R80 000
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(2)

- 3.4.3

Balance of bond at ABSA for land bought✓	✓R400 000
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(2)

- 3.4.4 Current + medium-term + long-term liabilities✓
 = R33 000 + R80 000 + R400 000✓
 = R513 000✓ (3)

- 3.4.5 Total assets – total debt✓
 = R1 094 500 – R513 000✓
 = R581 500✓ (3)

- 3.4.6 Total liabilities = R1 094 500 (1)

- 3.4.7

Electricity account paid in advance	✓6 000
Weedkillers in store	✓2 000
Cattle feed purchase but not used	✓10 000
Positive bank balance at Standard Bank	✓35 500
VAT owed to the farmer by receiver of revenue	✓20 000
Debtors	✓6 000
Total	✓R79 500

(7)

- 3.4.8

Deferred bonus payment funds✓	✓R25 000
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(2)

- 3.4.9

Sugarcane plantation on the land for ten years	✓20 000
Office equipment	✓25 000
Tractor	✓130 000
Total	✓R175 000

(4)

3.4.10	Kraals and fences	✓50 000	(4)
	Land purchased	✓750 000	
	Renovation of the buildings	✓15 000	
	Total	✓R815 000	
3.4.11	Total assets = R1 094 500✓✓		(2)
3.4.12	Value of leased land = R500 000✓		(1)
3.4.13	= R815 000 + R500 000✓		(2)
	= R1 594 500✓		

[50]**QUESTION 4: THE FARMING INCOME STATEMENT**

4.1	• Sheep sold, money not received yet	✓130 000	(10)
	• Ewes bought on credit by the farmer	✓-10 000	
	• Sale of wool to BKB	✓30 000	
	• Sheep slaughtered for the labourers	✓4 000	
	• Sheep slaughtered for domestic use	✓2 500	
	• Value of sheep at the end of the year	✓270 000	
	• Value of sheep at the beginning of the year	✓-250 000	
	• Unsold wool stock at the end of the year	✓10 000	
	• Unsold wool stock at the beginning of the year	✓-30 000	
		✓156 500	
4.2	• Bales of lucerne sold	✓160 000	(4)
	• Bales of lucerne fed to sheep	✓30 000	
		✓✓190 000	
4.3	GPV (sheep) + GPV (lucerne) ✓		(5)
	= 156 500✓ + 190 000✓		
	= ✓R346 500✓		
4.4	• Wages of permanent labourers	✓48 000	(5)
	• Sheep slaughtered for the labourers	✓4 000	
	• Protective clothing for labourers	✓5 000	
		✓✓R57 000	
4.5	• Fuel stock at the beginning of the year	✓4 000	(5)
	• Fuel stock at the end of the year	✓-2 000	
	• Fuel purchase during the year	✓12 000	
		✓✓14 000	

4.6	<ul style="list-style-type: none"> Fuel costs ✓14 000 Veterinary and medicine ✓20 000 Depreciation on improvements and equipment ✓32 000 Maintenance of vehicles and implements ✓35 000 Labour costs ✓57 000 Costs of other farm expenses ✓9 000 Bale of lucerne fed to sheep ✓30 000 Electricity ✓<u>50 000</u> 	✓✓ <u>247 000</u>	(10)
4.7	NFI = Total GPV✓ – Total production, Marketing and admin costs✓ = 346 500✓ – 247 000✓ = 99 500✓		(5)
4.8	FP = NFI – Foreign capital (interest + rent paid for land)✓ = 99 500✓ – (15 000✓ + 20 000)✓ = 99 500 – 35 000✓ = 64 500✓		(6)
			[50]
		TOTAL:	200