



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N6

7 JUNE 2019

This marking guideline consists of 6 pages.

QUESTION 1

1.1	1.1.1	F		
	1.1.2	E		
	1.1.3	B		
	1.1.4	A		
	1.1.5	C		
			(5 × 1)	(5)
1.2	1.2.1	True		
	1.2.2	False		
	1.2.3	False		
	1.2.4	True		
	1.2.5	False		
			(5 × 1)	(5)
1.3	1.3.1	<ul style="list-style-type: none"> • Interests • Shelter • Insurance • Licence fees 		(4)
	1.3.2	<ul style="list-style-type: none"> • Fuel • Lubricants • Repair and • Maintenance 		(4)
	1.3.3	Depreciation <ul style="list-style-type: none"> • Implements can lose value due to age (fixed) or usage (variable) Repair costs <ul style="list-style-type: none"> • Certain repairs or maintenance will have to be done regardless of usage (fixed) and on the other hand there are repair costs that increases considerably with usage (variable). 	(2 × 3)	(6)
1.4		<ul style="list-style-type: none"> • High yield due cultivation of larger areas • High yield because of improved cultivation methods • High yield because of timely cultivation • Higher prices because of improved product quality • Higher prices as a result of storage 	(5 × 2)	(10)
	1.5	Income = Price per unit × Yield in units		(3)
	1.6	<ul style="list-style-type: none"> • Convenience and speed of operations • Costs reduction • Reduction of labour bottle-necks • Tax considerations 		(4)

- 1.7
- More suited to smaller farms
 - Less reliable
 - Can lead lower yields
 - High variable costs
 - Require certain skills
- (5)
- 1.8
- Correct choice of implement
 - Proper maintenance
 - Proper utilisation
 - Optimum time of replacement
- (4)
[40]

QUESTION 2: INVESTMENT OF FUNDS

- 2.1
- Optimum use of available capital
 - Policy of diversification
 - Spreading risk
 - Planning with regard to family members
 - Security in time of need
- (5 × 2) (10)
- 2.2 Market in which different currencies are traded (3)
- 2.3
- Very fast market and highly volatile
 - High level of leverage comes with danger of losing money
 - It can be challenging for farmers to keep track of the market at all times
 - Market operates 24 hours
 - Risk of choosing an inexperienced broker
 - Many scammers out there looking to steal identity, money of financial information
 - Requires special knowledge and time
- (Any 6 × 2) (12)
[25]

QUESTION 3

- 3.1
- 3.1.1 False
 - 3.1.2 False
 - 3.1.3 False
 - 3.1.4 False
 - 3.1.5 False
 - 3.1.6 False
 - 3.1.7 False
 - 3.1.8 False
 - 3.1.9 False
 - 3.1.10 False
- (10 × 3) (30)

3.2	3.2.1	Gross production value		
		Sale of chickens	✓45 000	
		Chicken manure ready for sale	✓ <u>5 000</u>	
		Total gross production value	✓50 000	
		Allocable costs		
		Stock feed	✓15 000	
		Vaccine materials	✓300	
		Sawdust cost	✓1 000	
		Day old chicks	✓ <u>3 000</u>	
		Total allocable costs	✓19 300	
		Margin above specified costs	✓✓R30 700	(10)
	3.2.2	Marketing costs	✓500	
		Packaging materials	✓400	
		Transport of farm products	✓5 000	
		Remuneration of casual labourers	✓10 000	
		Permanent employee costs	✓20 000	
		Bank charges	✓1 500	
		Electricity	✓5 000	
		Legal fees	✓5 000	
		Stationery	✓ <u>2 000</u>	
			✓R49 400	(10)
				[50]

QUESTION 4

4.1	4.1.1		Potgieter	Dolamo	TOTAL
		Capital @ 10%	50 000	30 000	80 000
		Labour @ R10 per hour	4 000	12 000	16 000
		Total	✓✓54 000	✓✓42 000	✓✓96 000

4.1.2 $54\,000/96\,000 \times 100\checkmark = 56,25\%\checkmark\checkmark$
 $56,25\% \text{ of } 200\,000\checkmark = R112\,500\checkmark\checkmark$

4.1.3 $200\,000 - 96\,000)/2 = R52\,000\checkmark\checkmark$

Potgieter: $54\,000 + 52\,000 = R106\,000\checkmark\checkmark$

Dolamo: $42\,000 + 52\,000 = R94\,000\checkmark\checkmark$

(3 × 6) (18)

- 4.2
- By practising joint farming
 - By leasing land
- (2 × 2) (4)
- 4.3
- Landowner can easily obtain excessive credit
 - Land ownership requires a considerable capital investment
- (2 × 2) (4)
- 4.4
- No, it is not easy.✓
- Agric land is scarce✓
 - Land price in South Africa is generally high✓
 - Beginner farmer may not have access for high capital investments✓
 - In general, banks are reluctant to assist emerging farmers with huge capital needs
- (Any THREE reasonable answer)(1 + 3) (4)
- 4.5
- Farming type
 - Production branches
 - Region
 - Managerial skills
 - Own capital
 - Alternative sources of income
- (6)
- 4.6
- Fixed cash
 - Share-cropping
 - Stock-sharing
 - Fluctuating cash lease
- (4)
- 4.7
- The agreement should have economic advantages for the lessee and the lessor.
 - There must be clear understanding on each party's contributions
 - Complete accurate farm records must be kept
 - It must be decided who must give the final answer in case of different opinions
 - Work allocation must be clearly decided
 - Due- date for land rental must be known
 - It must be decided who is responsible for maintenance of assets such as buildings, implements, vehicles and fertility of the land
 - It must be predetermined how the lessee will be reimbursed at the conclusion of the lease contract for improvements that he made during the duration of the contract
 - The contract must be in writing.
- (Any 5 × 2) (10)
[50]

QUESTION 5

- 5.1 A detailed physical✓ and financial plan✓✓ of the farm designed to meet farming objectives✓ within defined period.✓ (5)
- 5.2
- Means of financial and other control measures
 - Simplifies management tasks
 - Tracking down of farm progress
 - To check affordability
 - To estimate yields and income
 - For proper planning (Any 5 × 1) (5)
- 5.3
- Branch budget
 - Partial budget
 - Break-even budget (3)
- 5.4
- Technology
 - Economic changes
 - Political changes
 - Social changes (4)
- 5.5
- Production uncertainties
 - Input uncertainties
 - Market risk
 - Government policy
 - Miscellaneous (5)
- 5.6
- To limit set-backs.✓✓
 - For example failure in one production branch must not automatically mean failure of the whole farming enterprise.✓ (3)
- [25]**
- TOTAL: 200**