



**higher education  
& training**

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Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

**N600(E)(J7)H**

**NATIONAL CERTIFICATE**

**FINANCIAL MANAGEMENT: FARMING N6**

**(4090506)**

**7 June 2019 (X-Paper)**

**09:00–12:00**

**Nonprogrammable calculators may be used.**

**This question paper consists of 8 pages.**


**DEPARTMENT OF HIGHER EDUCATION AND TRAINING**  
**REPUBLIC OF SOUTH AFRICA**  
NATIONAL CERTIFICATE  
FINANCIAL MANAGEMENT: FARMING N6  
TIME: 3 HOURS  
MARKS: 200

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**INSTRUCTIONS AND INFORMATION**

1. Answer ALL the questions.
  2. Read ALL the questions carefully.
  3. Number the answers according to the numbering system used in this question paper.
  4. Write neatly and legibly.
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**QUESTION 1: FARM MECHANISATION AND BUILDINGS**


- 1.1 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–G) next to the question number (1.1.1–1.1.5) in the ANSWER BOOK. 

COLUMN A		COLUMN B	
1.1.1	Costs related to owning farm implements	A	depreciation
1.1.2	Costs that remains unchanged regardless of machinery usage	B	cost of diesel
1.1.3	Variable costs related to usage of farm machinery	C	risk
1.1.4	Partly variable costs partly fixed cost	D	nature of repair cost
1.1.5	Capital investment in fixed and movable assets	E	fixed cost
		F	labour
		G	loan capital

(5 × 1)

(5)


- 1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

-  1.2.1 Farm implements generally decrease in value with age.
- 1.2.2 Costs of repair and maintenance are directly proportional to the usage of farm implements.
- 1.2.3 The period of capital investment in farm buildings is generally shorter than in the case of farm implements.
- 1.2.4 Self-construction of buildings is less expensive than other alternatives.
- 1.2.5 Investment in farm buildings is a once-off project for farmers.

(5 × 1)

(5)

- 1.3 Understanding nature of costs related to the usage of farm machinery and implements is vital for any prospective farm manager.

- 1.3.1 List FOUR examples of fixed costs related to the usage of farm machinery.  (4)
- 1.3.2 Identify FOUR variable costs related to the use of farm machinery. (4)
- 1.3.3 Briefly explain why depreciation and repair costs can be regarded as partly fixed and partly variable. (6)

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|-----|--|-------------|
| 1.4 | Discuss how mechanisation can contribute to greater income of the farming enterprise.  | (10)        |
| 1.5 | Write down the general formula for calculating farming income from sales.  | (3)         |
| 1.6 | Give FOUR reasons to motivate why farmers mechanise their farming operations. Exclude the reasons given in QUESTION 1.4 above. | (4)         |
| 1.7 | Outline FIVE disadvantages of buying used farm implements.   | (5)         |
| 1.8 | Describe FOUR measures that can be taken to increase the efficiency of farm implements?  | (4)         |
|     |  | <b>[50]</b> |

## QUESTION 2: INVESTMENT OF FUNDS

Farmers must be aware of other investment opportunities available to them.

- |     |   |         |             |
|-----|---|---------|-------------|
| 2.1 | Discuss any FIVE potential reasons that may cause the farmer to invest capital outside the farm business. | (5 × 2) | (10)        |
| 2.2 | What do you understand by the term <i>Forex trading</i> ?   |         | (3)         |
| 2.3 | Outline SIX disadvantages of Forex trading.   | (6 × 2) | (12)        |
|     |   |         | <b>[25]</b> |

## QUESTION 3: ANALYSIS AND INTERPRETATION OF FARMING RESULTS

- 3.1 The following information has been taken from Mhangagwa Farming Business in Ghana on June 2017. Assume that 500 hectares of grain is planted and harvested annually.



Study the information and judge whether the calculations or conclusions made below are TRUE or FALSE.

ALL values are in rands.

Write only 'True' or 'false' next to question number (3.1.1–3.1.10) in the ANSWER BOOK.

<b>Miscellaneous:</b>	
Rent paid for the field	4 000
Farming profit for the year	20 000
Net farm income	26 000
Rent paid on loan	1 500
Capital redemption on loan	1 000
Gross production value (1 000 tons @ R100 per ton)	100 000
<b>Production, marketing and administrative costs:</b>	
Seed	10 000
Fertiliser	15 000
Wages	24 000
Diesel	8 000
Vaccines	11 000
Repair and maintenance of equipment and vehicles	8 000
Depreciation on equipment and vehicles	16 000
Administrative cost	2 000
<b>Balance sheet figures for the period June 2016 to June 2017:</b>	
Value of own land and improvements	100 000
Value of leased land	20 000
Investment in equipment and vehicles	80 000
Long term loan at FNB Bank	20 000

3.1.1 Net value = R180 000

3.1.2 Amount of foreign capital employed = R45 000

3.1.3 Owner's return rate = 14%

3.1.4 Farming return rate = 15%

- 3.1.5 Total capital employed = R240 000
- 3.1.6 Capital turnover ratio = 2:1
- 3.1.7 % cost of loan capital = 9%
- 3.1.8 Manpower efficiency = R38/ha or R419 GPV per R100 labour cost
- 3.1.9 Grain efficiency = 2,5 tonnes/ha
- 3.1.10 Efficiency of implements was poor

(10 × 3) (30)


- 3.2 The following data have been taken from Mooketsi Farm Business and comprised of a broiler enterprise and a vegetable branch. Study it and answer the questions below. ALL values are in rands.

Seed	2 000
Fertiliser	4 000
Spraying materials	1 500
Crop insurance	900
Marketing costs	500
Packaging materials	400
Transport of farm products	5 000
Stock feed	15 000
Vaccine materials	300
Remuneration of casual labourers	10 000
Permanent employee costs	20 000
Sale of chickens	45 000
Sawdust cost	1 000
Chicken manure ready for sale	5 000
Bank charges	1 500
Electricity	5 000
Legal fees	5 000
Sale of vegetables	50 000
Day old chicks	3 000
Stationery	2 000

- 3.2.1 Calculate the gross margin of the chicken branch.
- 3.2.2 What is the value of non-directly allocatable costs for Mooketsi Farm Business?

(10)  
[50]



**QUESTION 4: THE RIGHT TO USE LAND**

- 4.1 Potgieter and Dolamo run a farming business. Their contributions toward the farm partnership are detailed below. 




	<b>CAPITAL CONTRIBUTIONS</b>	<b>LABOUR CONTRIBUTIONS PER YEAR</b>
Potgieter	500 000	400 hours
Dolamo	300 000	1 200 hours

According to their agreement capital contributions, the partners will be compensated at 10% interest per year and labour at R10 per hour. For the relevant year, the farming profit is R200 000.

Calculate the following:

- 4.1.1 A determined value for each partner's capital and labour contributions.
- 4.1.2 Potgieter's share of the profit if the profit is shared in relation to the capital and labour contribution of each partner.
-  4.1.3 Each partner's share of the profit if the capital and labour are compensated at predetermined tariffs and the balance of profit is shared equally between the partners. (3 × 6) (18)
- 4.2 Assume that a certain college graduate with a strong passion for farming comes to you for advice. Her challenge is that she does not have sufficient capital to purchase her own land.
- What other ways can she explore in order for her dream to become a reality? (4)
- 4.3 Give TWO potential disadvantages of owning farm land (2 × 2) (4)
- 4.4 Do you think it is easy for a novice farmer to obtain and own land in South Africa? Motivate your answer. (4)
- 4.5 Identify SIX interrelated variables that can determine the right size of land in case of a specific land purchase transaction. (6)
- 4.6 Outline FOUR types of lease agreements that farmers may use.  (4)
- 4.7 Discuss any FIVE prerequisites for a successful lease agreement. (5 × 2) (10)
- [50]**

**QUESTION 5: THE INTEGRATED BUDGETING SYSTEM**

- |     |   |   |             |
|-----|---|---|-------------|
| 5.1 | Define the term <i>budget</i> .   |    | (5)         |
| 5.2 | Determine FIVE reasons why budgeting is important in the farming industry.  |   | (5)         |
| 5.3 | Describe the three auxiliary budgets that farmers can use as aids to implement an integrated farm budgeting system.   |   | (3)         |
| 5.4 | To be successful, a farmer should always be well informed about the external environment which changes continuously.<br><br>Outline FOUR factors that usually play a role in the external environment. |   | (4)         |
| 5.5 | Identify FIVE types of risks and uncertainties that farm managers must consider before developing a farming strategy.   |   | (5)         |
| 5.6 | Outline the advantages of diversification in farming?   |  | (3)         |
|     |   |   | <b>[25]</b> |

**TOTAL: 200**