



**higher education  
& training**

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

# **MARKING GUIDELINE**

**NATIONAL CERTIFICATE**

**FINANCIAL MANAGEMENT: FARMING N6**

**27 NOVEMBER 2019**

**This marking guideline consists of 8 pages.**

**QUESTION 1**

- 1.1      1.1.1      • Objectives must be clearly defined.  
                          • Objectives must be documented.  
                          • Objectives do change.  
                          • Objectives are not limitations.      (Any relevant answers 3 × 1)      (3)
- 1.1.2      • Production technique  
                          • Mechanical and building aptitude  
                          • Marketing management  
                          • Human resource management  
                          • Financial management  
                          • Analytical skills  
                          • Physical and emotional endurance  
                          • Ability to decide and act      (Any relevant answers 4 × 1)      (4)
- 1.1.3      • Choice of crop  
                          • Production system  
                          • Technical ability  
                          • Size of production  
                          • Input price  
                          • Output price      (Any relevant answers 2 × 1)      (2)
- 1.1.4      • Seed cultivars  
                          • Planting density  
                          • Pest and weed control  
                          • Cultivation practices      (Any relevant answers 2 × 1)      (2)
- 1.5.1      Economic changes✓  
                          • Changes in supply and demand for farm products and  
                          resources have an influence on product and input prices.✓
- Technological changes✓  
                          • It is the responsibility of farmers to take note of recent  
                          developments and, if necessary, make the required  
                          adjustments.✓
- Politics and social changes✓  
                          • Social and political affairs of a country have an influence on  
                          agriculture and the farmer who can analyse these aspects better  
                          may avoid problems and even gain some advantages.✓  
                          (Any relevant answers 2 × 2)      (4)

1.1.6	Risk	<ul style="list-style-type: none"> <li>Projections are based on sufficient information and scientific assumptions.</li> </ul>	
	Uncertainty	<ul style="list-style-type: none"> <li>Projections are based on insufficient information.</li> </ul>	(4)
1.1.7	<ul style="list-style-type: none"> <li>Human aspect✓ – Change in the behaviour and objectives of employees can influence cost and profit.✓</li> <li>Mechanical aspect✓ – Breakdown during critical moments may reduce yield.✓</li> <li>Accidental issues✓ – Damage can occur anytime (fire, wind, drought, floods, etc.).✓</li> </ul>	(3 × 2)	(6)
1.2	1.2.1	<ul style="list-style-type: none"> <li>Income versus growth</li> <li>Safety</li> <li>Risk and return</li> <li>Timing</li> <li>Diversification</li> <li>Investment period</li> <li>Liquidity</li> <li>Tax</li> <li>Management skills</li> <li>Amount of investment</li> <li>Hedge against inflation</li> </ul>	(Any relevant answers 6 × 1) (6)
	1.2.2	<ul style="list-style-type: none"> <li>Savings plan</li> <li>Ordinary shares</li> <li>Preference shares</li> <li>Unit trust</li> <li>Fixed interest-bearing stocks</li> <li>Forex trading</li> </ul>	(Any relevant answers 6 × 1) (6)
	1.2.3	<p>Yes,✓ as they say 'don't keep all your eggs in one basket'✓✓ Give full marks for any relevant explanation</p>	(3)
1.3	1.3.1	VAT payable = output tax – input tax	
	1.3.2	VAT refundable = input tax – output tax	(2 × 2) (4)
1.4	<ul style="list-style-type: none"> <li>Collect and administer all national taxes, duties and levies</li> <li>Guard against illegal importing and exporting</li> <li>Facilitate trade</li> <li>Advise the finance minister</li> </ul>	(Any relevant answers 3 × 2)	(6)

**[50]**

**QUESTION 2**

2.1	2.1.1	Gross production value	R	
		900✓ chickens × R60✓	<u>54 000</u>	✓
		Total GPV	54 000	✓
		Expenses		
		1000 day-old chicks	6 900	✓
		50 bags of sawdust	1 500	✓
		15 bags starter feed	4 000	✓
		40 bags grower feed	9 000	✓
		Vaccination	<u>1 000</u>	✓
		Total expenses	22 400	✓
		Gross margin	31 600	✓✓
				(12)
	2.1.2	<ul style="list-style-type: none"> <li>• Seed</li> <li>• Fertiliser</li> <li>• Herbicides</li> <li>• Pesticides</li> <li>• Fuel used in cultivation</li> <li>• Fuel used in transporting vegetables</li> <li>• Crop insurance</li> </ul>		(7)
	2.1.3	<ul style="list-style-type: none"> <li>• Other transport costs</li> <li>• Electricity cost</li> <li>• Repairs</li> <li>• Management salary</li> <li>• Permanent labourers</li> </ul>		(5)
	2.1.4	To determine relative profitability of individual branches of the farm.		(2)
2.2	2.2.1	<ul style="list-style-type: none"> <li>• Manpower efficiency</li> <li>• Efficiency of equipment</li> <li>• Efficiency of crop cultivation</li> <li>• Efficiency of livestock production</li> </ul>		(4)

- 2.2.2
- Milk yield
  - Calving percentage
  - Weaning percentage
  - Average mass of weaning
  - Fodder area per animal unit
  - Veld pasture per animal unit
  - Number of animals per hectare
  - GPV per R100 fodder costs (Any relevant answers 6 × 1) (6)
- 2.3
- Gross production value
  - Capital employed
  - Area of farm
  - Livestock number (4)
- 2.4
- 2.4.1 = Workers remuneration/ ha cultivated✓  
 = 40 000/500✓✓  
 = R80,00/ha✓✓
- OR
- = GPV/Workers remuneration × 100✓  
 = 900 000/40 000 × 100✓✓  
 = R2 250 GPV per R100 labour cost✓✓ (5)
- 2.4.2 = Variable cost/Hectares cultivated✓  
 = 50 000 + 80 000/500✓✓
- = R260/ha✓✓ (5)
- [50]**

### QUESTION 3

- 3.1
- By practising joint farming
  - Leasing
  - Buying (3)
- 3.2
- The owner usually takes decisions alone.
  - The junior partner has little to learn from a management point of view. (2 × 2) (4)
- 3.3
- 3.3.1 A
- 3.3.2 B
- 3.3.3 C
- 3.3.4 D
- 3.3.5 E
- (5 × 1) (5)

## 3.4 Fixed cash lease✓

- The lessee periodically pays the lessor a fixed amount of cash per unit area that he/she hires.✓✓

## Share-cropping lease✓

- Both the lessee and lessor share in the outputs and inputs to the production of a specific crop.✓✓

## Stock-sharing lease✓

- The lessor provides the land and fixed improvements, the lessee provides labour and other equipment and both parties the livestock.✓✓

## Fluctuating cash lease✓

- The fluctuating cash lease is, in effect, a combination of a fixed cash lease and a share agreement.✓
- The purpose is to retain some characteristics of a fixed cash lease, but at the same time to offer the lessor the chance to share in the price and yield opportunities, as well as risk.✓

(12)

## 3.5

- A big disadvantage of owning land as compared to leasing is that the landowner can easily obtain excessive credit because the land is attractive as security for loans, and as a result can later be faced with repayment difficulty.✓✓
- Land ownership has greater prestige value and it provides greater satisfaction to make improvements to one's own, rather than to someone else's property.✓✓
- Land ownership creates opportunity for incidental profits resulting from appreciation in land value.✓✓
- Land ownership results in more flexibility in farming than in the case when leasing land.✓✓
- Landownership requires a considerable capital investment.✓
- A big disadvantage of leasing land is the uncertainty that is often associated with lease agreements.✓✓
- Seen purely from a social point of view, there can also be disadvantages living on leased land.✓✓

(13)

## 3.6

- The determination of a fair method of sharing the crop, based on individual contributions
- Reaching agreement on provision for the cost related to machinery, etc.
- Reaching agreement on who have the final say on cultivation programmes can be more challenging
- The determination of price for the lessee's use of farm house and other buildings

(4 × 2)

(8)

## 3.7

- Livestock type to be kept
- Extent of different livestock branches
- Purchase/Production of fodder
- Breeding or purchases for herd expansion
- Marketing

(5)

**[50]**

4.1	4.1.1	Depreciation = purchase price – recover value/10 = 950 000 – 95 000/10 = R85 500 per year✓		
		Interest = purchase price + recover value/2 × 0,15 = 1 045 000/2 × 0,2 = R104 500✓		
		Insurance = R40 000 per year✓		
		Total fixed cost = 230 000✓✓		(5)
	4.1.2	Repair and maintenance R55/hour = R66 000✓ Diesel R30/hour = R36 000✓ Labour <u>R12/hour = R14 400✓</u> / = R116 400✓✓		(5)
	4.1.3	= FC + VC✓ = R230 000 + R116 400 = R346 400✓✓		(3)
	4.1.4	= FC/hour + VC/hour✓ = R191.67 + R97✓ = R288,67/hour✓		(3)
4.2	•	Efficiency of labour can be increased.		
	•	Correct placing of buildings can be planned more accurately.		
	•	Operations can be improved.		
	•	Maintenance and other costs can be reduced.		
	•	General farm appearance may be enhanced.	(5 × 2)	(10)
4.3	•	Decreases capital investment in buildings		
	•	Reduced fixed costs and increased profit		
	•	Effective use of labour	(3 × 2)	(6)
4.4	•	Time can be spent elsewhere for improving profit.		
	•	Building skills are required.		
	•	Self-building may take longer.	(3 × 2)	(6)

- 4.5 Advantages:
- Gives room for advanced technology to be tested and incorporated.
  - Normal farm operations may not be disturbed.
  - Loan capital can be avoided.

Disadvantages:

- Can lead to losses in quality and profits.
- Building costs rise continuously.
- Put management under pressure for a long time.

(6 × 2) (12)  
**[50]**

**TOTAL: 200**