



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

**FINANCIAL MANAGEMENT: FARMING N4
(New Syllabus)**

20 November 2023

This marking guideline consists of 8 pages.

QUESTION 1

- 1.1
- It is the management of funds in such a manner✓
 - that a business or organisation is able to achieve its objectives.✓ (2)
- 1.2
- It serves as a basis for scientific✓ decision-making in the enterprise.✓
 - It facilitates the submission of accurate returns✓ for tax and credit purposes.✓
 - It handles the figures systematically,✓ leading to systematic thoughts and actions.✓
 - It focuses on the financial results✓ of the enterprise.✓
 - It enables the farmer to think✓ in terms of numbers.✓ (5 × 2) (10)
- 1.3
- Number of employees
 - Service contracts
 - Salaries and leave
 - Advances and debts (4)
- 1.4
- | | | |
|-------|---|-------------|
| 1.4.1 | Purchased price/Cost price | |
| 1.4.2 | Cost price less accumulated depreciation | |
| 1.4.3 | Net-sales value | |
| 1.4.4 | Establishment cost | |
| 1.4.5 | Conservative market value | |
| 1.4.6 | Construction cost less accumulated depreciation | (6 × 1) (6) |
- 1.5
- The realisation value of most assets does not decrease annually with the same amount.
 - Assets are not necessarily used the same each year in the production process. (2 × 2) (4)
- 1.6 Use the USE method to calculate the following:
- 1.6.1
- $$R = \frac{CP - S}{HU}$$
- $$= \frac{R150\,000 - R30\,000}{25\,000 \text{ hours}}$$
- $$= \frac{R120\,000}{25\,000 \text{ hrs}}$$
- $$= 4,8\% (4)$$
- 1.6.2
- $$AD = \frac{CP - S}{HU} \times \frac{H}{1}$$
- $$= \frac{R150\,000 - R30\,000}{25\,000 \text{ hrs}} \times \frac{10\,000}{1}$$
- $$= R120\,000 \times 10\,000 (3)$$

$$= R48\,000✓$$

1.6.3 Initial value = Replacement value – Accumulated depreciation✓
 = R150 000 – R48 000✓
 = R102 000✓ (3)

1.6.4 Expected useful life = Expected useful life – Hours of use✓
 = 25 000 hours – 10 000 hours✓
 = 15 000 hours✓ (3)

1.6.5 Amount to be depreciated (after first inventory)✓
 = 15 000 hours × 4,8✓
 = R72 000✓
 OR
 R102 000 – R30 000
 R72 000 (3)

- 1.7 • The purchased or construction date
 • The cost price or initial value
 • The expected life
 • The expected replacement value (if applicable)
 • The expected salvage value
 • The method and rate of depreciation
 • The annual capital recovery
 • The book value
 • Registration number
 • Engine/Serial number (8)

[50]**QUESTION 2**

- | | | | | |
|-----|-------|--------------------------|---------|-----|
| 2.1 | 2.1.1 | Net worth/Owner's equity | | |
| | 2.1.2 | Insolvent | | |
| | 2.1.3 | Liquid | | |
| | 2.1.4 | Moveable assets | | |
| | 2.1.5 | Foreign capital | | |
| | | | (5 × 1) | (5) |
-
- | | | | | |
|-----|-------|---|--|-----|
| 2.2 | 2.2.1 | They are arranged in order of decreasing✓ liquidity.✓ | | (2) |
| | 2.2.2 | <ul style="list-style-type: none"> • The balance sheet represents the state of the business at one fixed time. • The income statement shows the performance of the farm over a period of time which is usually a year. | | (2) |
| | 2.2.3 | <ul style="list-style-type: none"> • Total capital employed is the total of the total assets✓ of the farming enterprise plus the value✓ of any rental land. • Foreign capital is the value of the total debt owing by the farm✓ | | (4) |

FINANCIAL MANAGEMENT: FARMING N4
and the value of the rented land.✓
2)

(2 ×

- 2.3
- Adding income✓ especially from non-farm activities✓
 - Capital appreciation of land✓ over time✓
 - Capital gains made when assets are sold✓ for more than their book value✓
 - Increasing the value✓ of the replacement reserve✓

(4 ×

(8)

- 2.4
- ... to **providers of foreign capital**✓
 - and to remunerate the owner/s for their **capital contributed**,✓
 - their **labour**,✓
 - their **entrepreneurship**✓
 - and **management**.✓

(5)

2.5 ANSWER SHEET

LEDGERS OF GARDEN PRODUCTS

GENERAL LEDGER OF GARDEN PRODUCTS							
Debit				Credit			
Date	Detail	Fol.	Amount	Date	Detail	Fol.	Amount
2022 1 June✓	Capital✓		✓5 000 000	2022 1 June✓	Equipment✓		✓95 000
					Vehicle✓		✓325 000
					Livestock✓		✓1 010 000

(10)

CAPITAL (EQUITY)							
Debit				Credit			
Date	Detail	Fol.	Amount	Date	Detail	Fol.	Amount
2022 June✓				2022 ✓1 June	Bank✓		✓5 000 000

(4)

VEHICLES (ASSETS)							
Debit				Credit			
Date	Detail	Fol.	Amount	Date	Detail	Fol.	Amount
2022 ✓1 June	Bank✓		✓325 000				

(3)

EQUIPMENT (ASSETS)							
Debit				Credit			
Date	Detail	Fol.	Amount	Date	Detail	Fol.	Amount

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2022 ✓1 June	Bank✓		✓95 000				

(3)

LIVESTOCK (ASSETS)							
Debit				Credit			
Date	Detail	Fol.	Amount	Date	Detail	Fol.	Amount
2022 ✓1 June	Bank✓		✓1 010 000				

(3)

2.6 Assets = Owner's equity + liabilities

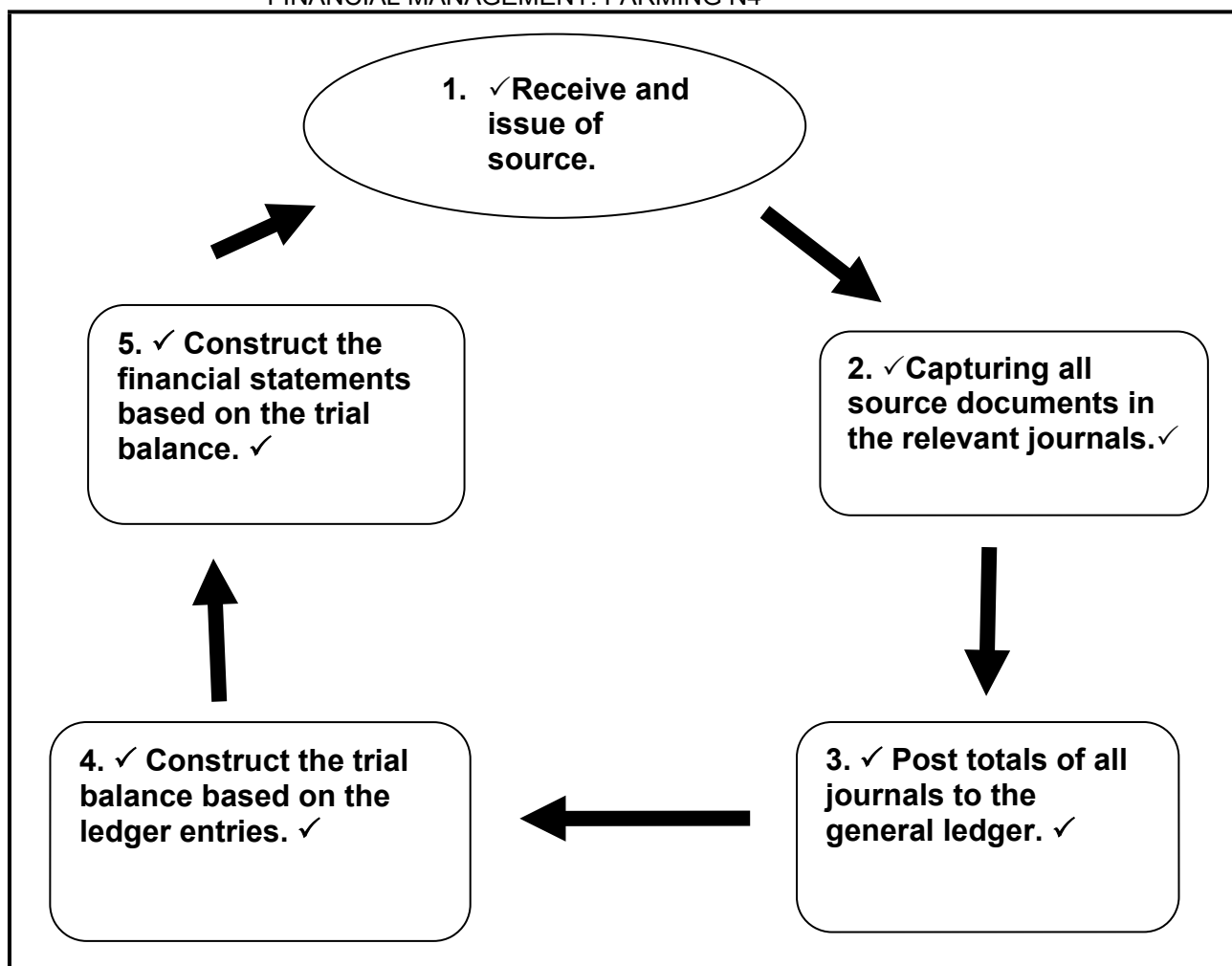
(1)

[50]**QUESTION 3**

- 3.1
- Definition: Accounting is the recording of transactions in terms of monetary value.✓
 - Transactions are either cash or credit✓
 - In terms of monetary value✓
 - To determine an enterprise's income, expenditure and profit (bottom line)✓
 - Recording of all transactions in a financial period✓
 - normally one year✓

(6)

3.2



(5 × 2) (10)

3.3

- Receipts
- Invoices
- Cash register rolls
- Bank statements
- Electronic proof of payments
- Delivery notes
- Receipts

(Any 5 × 1) (5)

3.4

- Invoices
 - Delivery notes
 - Legislation
 - Quality management information
 - Statements
 - Receipts
- 1)

(Any 3 × 1) (3)

3.5

ANSWER SHEET**CASH RECEIPTS JOURNAL**

CASH RECEIPTS JOURNAL OF GARDEN PRODUCTS FOR MARCH 2022								
Doc	Date	Detail	Analysis of receipts	Bank	Sales	Sundry		
						Amount	Fol.	Detail

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✓101	1	Sheep sales✓	✓80 000	✓80 000	✓80 000			
✓102	10	M. Xolo - diesel✓	✓1 200	✓1 200		✓1 200		Diese l✓
✓CR1	15	Cash sales✓	✓120 000	✓120 000	✓120 000			
✓103	20	Mater Metals Scrap✓	✓28 800	✓28 800		✓28 800		Scrap sales✓
			✓230 000	✓230 000	✓200 000	✓30 000		

(26)

[50]**QUESTION 4**

4.1

4.1.1

- Initially the total product (TP) increases✓
- at an increasing rate✓
- and then starts to increase at a decreasing rate.✓
- It is irrational✓
- because the average product (AP) constantly increases.✓
- It implies that the additional production✓
- which was achieved through the application of additional nitrogen✓
- is higher than the AP,✓
- which causes the new AP to increase.✓

(Any 8 ×

1)

(8)

- 4.1.2
- In this phase the total production curve still increases at a decreasing rate until it eventually reaches a maximum✓,
 - where the rate of increase is equal to zero.✓
 - In this phase, the 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)
- 4.1.3
- 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 results in an absolute drop in yield.✓
 - The production in this phase is irrational.✓
- (4)

4.2 ANSWER SHEET

Production per hectare (ton/ha)	Fixed cost (R)	Variable cost (R)	Total cost (R)	Average fixed cost (R/t)	Average variable cost (R/t)	Average total cost (R/t)	Marginal cost (R)
2,0	1 000	750	✓1 750	✓500	✓375	✓875	
4,0	✓1 000	6 000	✓7 000	✓250	✓1 500	✓1 750	✓438
6,0	✓1 000	7 000	✓8 000	✓167	✓1 167	✓1 333	✓-209

(1 mark per figure)

(Use discretion where a fault occurs and the calculations are done correctly from there.) (16)

- 4.3
- 4.3.1 True
- 4.3.2 True
- 4.3.3 False
- 4.3.4 False
- 4.3.5 False
- 4.3.6 True
- 4.3.7 True
- 4.3.8 True
- 4.3.9 False
- 4.3.10 True

- 4.4
- A production function indicates the relationship between various quantities or amounts of a specific output and a specific input, ✓
 - while other inputs and conditions remain constant. ✓
- (2)
- 4.5
- Fixed rate of substitution
 - Increasing rate of substitution
 - Constant rate of substitution
 - Decreasing rate of substitution
- (4)
- [50]**

TOTAL: 200