



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N4

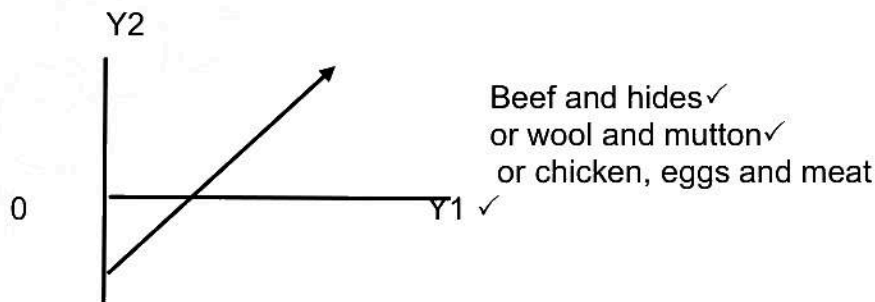
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29 May 2025

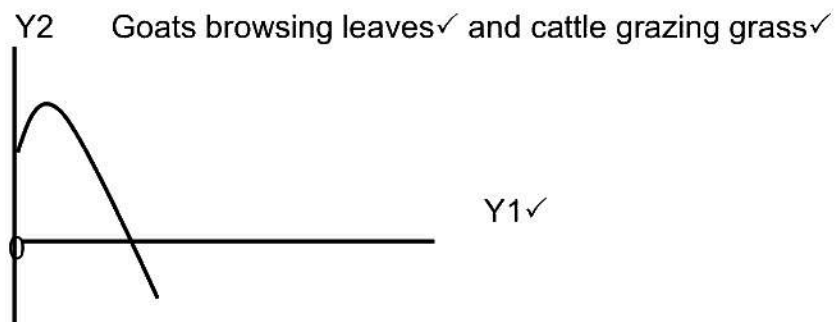
This marking guideline consists of 8 pages.

QUESTION 1: PRODUCTION ECONOMIC PRINCIPLES

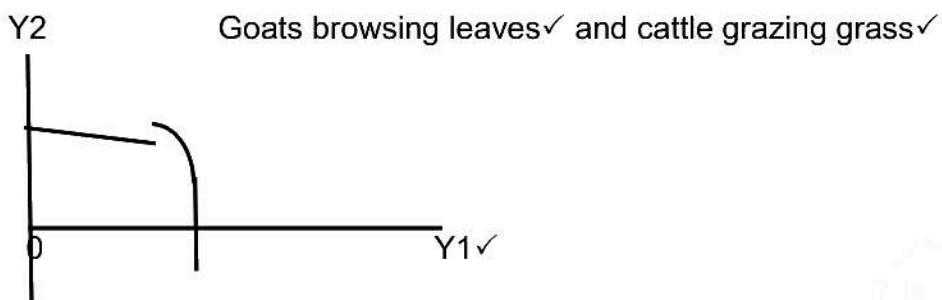
- 1.1 1.1.1 Output is the yield that has been produced. ✓✓ (2)
- 1.1.2 Marginality refers to a change (an increase or a decrease) in one factor as a result of a change in another factor✓, with all other factors remaining constant. ✓ (2)
- 1.1.3 Profit can be defined as the balance remaining after all costs✓ have been paid from the income. ✓ (2)
- 1.1.4 Variable costs are the costs that fluctuate✓ with production.✓ (2)
- 1.1.5 Fixed costs are the costs that always remain constant.✓✓ (2)
- 1.2 The law of diminishing marginal returns states that, as additional units✓ of a variable input✓ are applied in combination with one or more fixed input(s) ✓, the marginal returns will eventually start to decrease. ✓ (4)
- 1.3
- **Fixed rate of substitution:** ✓ inputs are used at a fixed rate and no substitution takes place ✓
 - **Constant rate of substitution:** ✓ input X1 is substituted in the same ratio as input X2 ✓
 - **Increasing rate of substitution:** ✓ as the quantity X1 decreases, fewer and fewer units of X2 are needed to replace one unit of X1✓
 - **Decreasing rate of substitution:** ✓ as the quantity X1 decreases, more and more units of X2 are needed to replace one unit of X1✓ (8)
- 1.4 1.4.1 Joint products:



- 1.4.2 Supplementary products:



1.4.3 Complementary products:

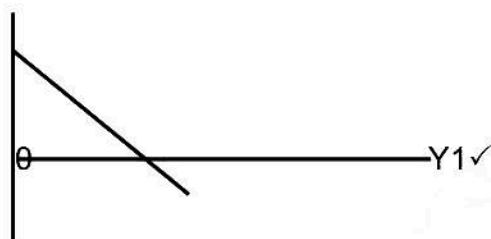


(3)

1.4.4

Y2✓

Cattle✓ and blue wildebeest graze together✓



(3)

1.5 Three types of planning:

- Strategic planning✓
 - Long-term planning of enterprise✓
 - Longer than 3 years✓
 - Responsibility of top/senior management✓
- Tactical planning✓
 - Medium-term planning✓
 - Implementation of strategic plan✓
 - Middle management✓
- Operational planning✓
 - Short-term planning✓
 - Supports/depends on strategic and tactical planning ✓
 - Physical implementation of the plans by lower management✓ (3 × 4)

(12)

1.6 The efficient✓ and effective planning✓, organising and control of money✓ to accomplish the organisation's objectives. ✓

(4)

[50]

QUESTION 2: FARM MANAGEMENT INFORMATION SYSTEMS

- | | | | |
|-----|--------|---|-----|
| 2.1 | 2.1.1 | Farming financial management✓ | (1) |
| | 2.1.2 | Farm management information system (FMIS) ✓ | (1) |
| | 2.1.3 | Financing decisions✓ | (1) |
| | 2.1.4 | Investment decisions✓ | (1) |
| | 2.1.5 | Auxiliary statements✓ | (1) |
| | 2.1.6 | Annual financial statements✓ | (1) |
| | 2.1.7 | Inventory✓ | (1) |
| | 2.1.8 | Market value✓ | (1) |
| | 2.1.9 | Depreciable assets✓ | |
| | 2.1.10 | Appreciable assets✓ | |

- 2.2
- It serves as a basis for scientific decision-making in the enterprise. ✓✓
 - It facilitates the submission of accurate returns, i.e. for tax and credit purposes. ✓✓
 - It handles figures systematically, thus it leads to systematic thoughts and actions. ✓✓
 - It focuses on the financial results of the enterprise. ✓✓
 - It forces the farmer to think in terms of numbers. ✓✓
- (10)

- 2.3
- Land ✓✓
 - Fixed improvements ✓✓
 - Orchards, vineyard and sugarcane plantations ✓✓
 - Vehicles, equipment and machinery ✓✓
 - Stocks ✓✓
- (10)

- 2.4 Complete the following table to determine the establishment cost of the orchard: (9)

Year	Cost (R)	Income (R)	Estimated establishment costs	
			Annual	Cumulative
1	30 000	0	30 000✓	30 000✓
2	15 000	3 000	12 000✓	42 000✓
3	8 000	20 000	12 000✓	54 000✓
4	5 000	40 000	-35 000✓	
5	5 000	60 000	-55 000✓	

The establishment cost is R54 000✓

- 2.5 2.5.1 $\text{Rate} = \frac{2}{\text{Service life}}$ ✓
 $= \frac{2}{5}$
 $= 0,4$ ✓ (2)

- 2.5.2 Depreciation = book value × rate ✓
 $= R200\ 000 \times 0,4$ ✓
 $= R80\ 000$ ✓ (4)

- 2.5.3 Book value = cost price × $(1-r)^Y$ ✓
 $= 200\ 000 \times (1 - 0,4)^2$ ✓
 $= 200\ 000 \times (0,6)^2$ ✓ or $200\ 000 \times 0,36$
 $= R72\ 000$ ✓ (5)
[50]

QUESTION 3: THE ACCOUNTING PRINCIPLES AND JOURNALS

3.1 3.1.1 Cash payment journal

Doc. no.	Day	Details and Payee	Fol.	Bank	Production supplies	Wages	Sundry account
CPJ8	8	Paid water and lights		R4 000			R4 000✓
CPJ13	13	Paid creditor Tenten for spare parts		R10 000			R10 000✓
CPJ15	15	Insurance premium for tractor		R2 000			R2 000✓
CPJ18	18	Paid wages		R10 000		R10 000✓	
CPJ22	22	Paid creditor Cashgrow for production supplies		R8 000	R8 000✓		
CPJ6	6	Drawings by owner		R7 000			R7 000✓
CPJ23	23	Took cash for household groceries		R4 000			R4 000✓
				R45 000✓	R8 000✓	R10 000✓	R27 000✓

(11)

3.1.2 Cash receipts journal

(9)

Doc. no.	Day	Details	Fol.	Analysis of receipts	Sales	Debtors	Sundry account
CRJ1	1	Loan received from bank		R40 000			R40 000✓
CRJ3	3	Insurance payout		R25 000			R25 000✓
CRJ4	4	Cheque received from debtor, Taken		R10 000		R10 000✓	
CRJ5	5	Cash sales of vegetables		R6 000	R6 000✓		
CRJ17	17	Cash sales of vegetables		R18 000	R18 000✓		
				R99 000✓	R24 000✓	R10 000✓	R65 000✓

(9)

Please

3.1.3 Purchases/Creditors journal

Doc. no.	Day	Creditors	Fol.	Total creditors	Production supplies	Sundry account
CJ2	2	Fertiliser bought on account from Tonton		R8 000	R8 000√	
CJ9	9	Pesticides bought on credit from Tonton		R2 500	R2 500√	
CJ11	11	Bought horse feed from Twotwo on account		R3 500	R3 500√	
				R14 000√	R14 000√	

(5)

3.1.4 Sales/Debtors journal

Doc. no.	Day	Debtors	Fol.	Total debtors	Production supplies	Sundry account
DJ7	7	Sold vegetables on credit to the vendor, Takeall		R2 000		R2 000√
DJ10	10	Sold vegetables on credit to Tenten		R6 000		R6 000√
DJ19	19	Sold vegetables on credit to Takenmarket		R15 000		R15 000√
				R12 000√		R4 000√√

(5)

- 3.2
- Receiving and issuing of source documents ✓
 - Capturing all source documents in the relevant journals ✓
 - Posting of journal total to the general ledger ✓
 - Constructing a trial balance, based on the ledger entries ✓
 - Constructing annual financial statements, based on the trial balance ✓ (5)
- 3.3
- Proper planning ✓
 - Reducing debt ✓
 - Expansion and growth ✓
 - Household savings/savings on household expenses ✓
 - Partnership ✓ (5)
- 3.4
- Internal documents are documents designed, produced✓, and used by the business✓. Examples are timesheets✓, inventory sheets or any other reasonable example. One answer required.
- External Documents are documents that come from outside of the business✓. Examples are original invoices✓, delivery notes✓, bank statements or any other reasonable answer. One answer required. (2 × 3) (6)
- 3.5
- Assets that the farm has in possession✓ for up to 12 months✓; they can be bought to be sold again✓ or used in the production process to create products.✓ (4)
- [50]

QUESTION 4: THE DOUBLE-ENTRY PRINCIPLES & ANNUAL FINANCIAL STATEMENTS

- 4.1
- 4.1.1 E✓
 - 4.1.2 I✓
 - 4.1.3 C✓
 - 4.1.4 G✓
 - 4.1.5 D✓
 - 4.1.6 B✓
- (6 × 1) (6)
- 4.2
- Give descriptions for each of the following terms:
- 4.2
- 4.2.1 Debt is the interest owed by the business. ✓✓ (2)
 - 4.2.2 Gross production value (GPV) is the monetary value of an enterprise during an accounting period. ✓✓ (2)
 - 4.2.3 Asset is anything that a farming business possesses/owns. ✓✓ (2)
 - 4.2.4 Net farm income (NFI) is an income received by subtracting PMA costs from the GPV of the farm. ✓✓ (2)
 - 4.2.5 Short-term debt is the debt that can be paid off in a short period of a year. ✓✓ (2)

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4.2.6	Opening stock is the stock that is available at the beginning of the year. ✓✓	(2)
4.2.7	Investment is the savings made for future use/purposes. ✓✓	(2)
4.2.8	Net worth is the closing balance from the previous financial year and carried over to the next financial year. ✓✓	(2)
4.2.9	Closing stock is the stock that is available at the end of the financial year. ✓✓	(2)
4.2.10	Movable assets are the usable assets in the farming business for the purpose of producing other assets. ✓✓	(2)
4.3	4.3.1 Solvent: the value of total assets exceeds the value of total liabilities. ✓✓ and Insolvent: the value of total liabilities exceeds the value of total assets ✓✓	(4)
	4.3.2 Total capital employed: the value of total farm assets plus the value of the leased land. ✓✓ and Total foreign capital: the value of total farm liabilities plus the value of the leased land. ✓✓	(4)
	4.3.3 Creditors: people to whom the business is owing. ✓✓ and Debtors: people who are owing the business. ✓✓	(4)
	4.3.4 Demand: is the service or goods required usually measured whether it is met or not by supply. ✓✓ Supply: is the service offered to wherever needed. ✓✓	(4)
4.4	• Increase non-farming income (OR income from sources other than farming) ✓✓ • Capital appreciation on land ✓✓ • Capital gains: when selling moveable assets and making a profit from the sale (selling for more than the book value) ✓✓ • Additions to the replacement reserve ✓✓	(8) [50]
TOTAL:		200