



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N5

25 November 2022

This marking guideline consists of 11 pages.

INSTRUCTIONS TO MARKERS

1. Mark all the questions.
 2. Follow the answers according to the numbering system used in this question paper.
 3. Use only a red pen.
 4. Put your ticks and crosses neatly and legibly.
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QUESTION 1

- 1.1 D
- 1.2 A
- 1.3 C
- 1.4 A
- 1.5 B

(5 × 2) [10]

QUESTION 2

- 2.1 Branch budget
- 2.2 Forfeited GPV
- 2.3 Cash flow budget
- 2.4 Interest
- 2.5 Budget

(5 × 1) [5]

QUESTION 3

- 3.1 True✓
- 3.2 False✓ Private persons can also provide mortgage loans.✓
- 3.3 True✓
- 3.4 False✓ Close corporations can also access funds from the Land Bank.✓
- 3.5 False✓ Medium-term loans are for a period of 2 to 10 years.✓
- 3.6 False✓ Proper use of land is a source of own capital✓

(10)

TOTAL SECTION A: 25

QUESTION 4

ANNEXURE A

4.1 CASH PAYMENTS JOURNAL

Doc	Day	Details/Name of Payee	Fol.	Bank	Production supplies	Wages and salaries	Creditors	Sundry accounts
B1	2	Water and electricity		R5 000✓				R5 000✓
B2	3	Broiler feed		R8 000✓	R8 000✓			
B3	4	Water pump		R22 000✓				R22 000✓
B4	7	Stationery		R1 000✓				R1 000✓
B5	15	Wages		R11 000✓		R11 000✓		
B5	20	Drawings		R5 500✓				R5 500✓
B6	30	Wages		R22 000✓		R22 000✓		
				R74 500✓	R8 000✓	R33 000✓		R33 500✓

(18)

ANNEXURE B

4.2 CASH RECEIPTS JOURNAL

Doc	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Debtors	Sundry accounts
A1	1	Capital		R200 000	R200 000✓			R200 000✓
A2	10	Cash from Debtor C		R8 000	R8 000✓		R8 000✓	
A3	12	Rental income		R12 000	R12 000✓			R12 000✓
A4	28	Cash sales		R40 000	R40 000✓	R40 000✓		
				R260 000	R260 000✓	R40 000✓	R8 000✓	R212 000✓

(12)

ANNEXURE C

4.3 CREDITORS' JOURNAL

Doc	Day	Creditor	Fol.	Creditors' Control	Production supplies	Equipment	Sundry accounts
201	3	CHICKS		R4 000✓	R4 000✓		
111	9	Vet Spaza		R5 500✓	R5 500✓		
32	26	Carpenter		R2 500✓	R2 500✓		
				R12 000	R12 000		

(6)

ANNEXURE D

4.4 DEBTORS' JOURNAL

Doc	Day	Debtor	Fol.	Total debtors	Sales	Sundry accounts
AA1	5	Less Money		R8 000✓	R8 000✓	
AA2	23	Star Supermarket		R8 000✓	R8 000✓	
				R16 000	R16 000	

(4)

QUESTION 5

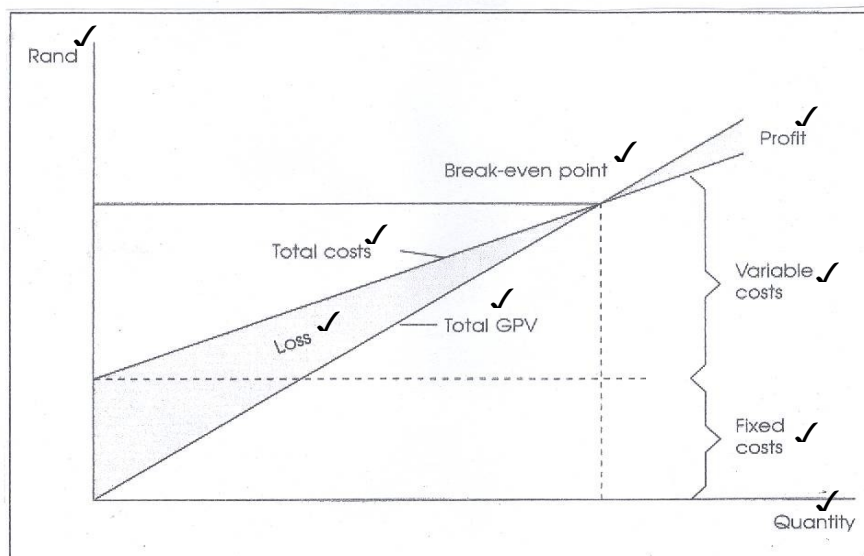
- 5.1 5.1.1 Gross production value is the total monetary value of all goods produced by a farming enterprise during an accounting period.
- 5.1.2 Net farm income is the gross production value of the farming enterprise minus the production, marketing and administration costs.
- (2 × 2) (4)
- 5.2 • Nature and condition of current assets
• Correctness of values in the balance sheet
- (2)
- 5.3 5.3.1 Gearing ratio for 2017
- Net worth = Farm assets – Farm debt
 = R610 000 – R340 000
 = R270 000
= $\frac{\text{Net worth}}{\text{Farm debt}}$ ✓
= $\frac{\text{R270 000}}{\text{R340 000}}$ ✓
= 0,79:1 ✓
- Gearing ratio for 2018
- Net worth = Farm assets – Farm debt
 = R835 000 – R410 000
 = R425 000
= $\frac{\text{Net worth}}{\text{Farm debt}}$ ✓
= $\frac{\text{R425 000}}{\text{R410 000}}$ ✓
= 1,04:1 ✓
- (6)
- 5.3.2 The gearing ratio has improved from 0,79:1 to 1,04:1 over the two-year period 2017 to 2018.
- (1)
- 5.3.3 The acid test ratio for 2017:
- $\frac{\text{Current assets – stock}}{\text{Current liabilities}}$ ✓
= $\frac{\text{R120 000 – R15 000}}{\text{R60 000}}$ ✓
= 1,75:1 ✓
- (3)
- 5.3.4 For every R1 of current liabilities there is R1,75 of current assets excluding stock.
- (1)

- 5.4 5.4.1 Feed and vaccines per R100 GPV:
- $$\frac{\text{Feed and vaccines}}{\text{GPV}} \times \text{R100} \checkmark$$
- $$= \frac{\text{R90 000}}{\text{R500 000}} \times \text{R100} \checkmark$$
- $$= \text{R18 per R100 GPV} \checkmark \quad (3)$$
- 5.4.2 PMA costs per R100 GPV:
 $\text{R30 000} + \text{R60 000} + \text{R40 000} + \text{R15 000} + \text{R50 000} = \text{R230 000} \checkmark$
- $$\frac{\text{PMA costs}}{\text{GPV}} \times \text{R100} \checkmark$$
- $$= \frac{\text{R195 000}}{\text{R500 000}} \times \text{R100} \checkmark$$
- $$= \text{R39 per R100 GPV} \checkmark \quad (4)$$
- 5.4.3 Remuneration to providers of foreign capital per R100 NFI:
- $$\frac{\text{Remuneration}}{\text{NFI}} \times \text{R100} \checkmark$$
- $$= \frac{\text{R30 000}}{\text{R270 000}} \times \text{R100} \checkmark$$
- $$= \text{R11,10 per R100 NFI} \checkmark \quad (5)$$
- 5.5 Feed (1)
- [30]**

QUESTION 5

- 6.1 6.1.1 Payback period is the number of years that a project takes to pay back the initial investment. (3)
- 6.1.2 • Rate of return
 • Net present or discounted cash flow
 • The payback period (3)
- 6.1.3 • To expand or grow the farming enterprise
 • To introduce a new production branch
 • To buy equipment and other moveable assets (3 × 2) (6)

6.2 Graph representing a break-even budget.



(9)

- 6.3 6.3.1 Gross production value:
 maize = $R(3 \times 8 \times 900) = R21\,600$ ✓
 wheat = $R(6 \times 10 \times 500) = R30\,000$ ✓

$$\text{Average GPV per hectare} = \frac{R21\,600 + R30\,000}{9} = R5\,733,33$$
✓

Variable costs:
 maize = $R(3 \times 600) = R1\,800$ ✓
 wheat = $R(6 \times 300) = R1\,800$ ✓

$$\text{Average variable costs per hectare} = \frac{R1\,800 + R1\,800}{6} = 600$$
✓

$$\begin{aligned} \text{Break-even point in hectares} &= \frac{R450\,000}{R(5\,733,33 - 600)} \\ &= 87,66 \text{ hectares} \end{aligned}$$
✓

(10)

$$\begin{aligned} 6.3.2 \quad \text{Break-even point in hectares} &= \frac{R450\,000 + R600\,000}{R(5\,733,33 - 600)} \\ &= 204,55 \text{ hectares} \end{aligned}$$
✓

(4)

$$\begin{aligned} 6.4 \quad \text{Present value} &= \text{Future value} \times \frac{1}{(1+i)^n} \\ &= R200\,000 \times \frac{1}{(1+0,12)^4} \\ &= R127\,103,62 \end{aligned}$$
✓

(5)

- 6.5
- knowledge of nature and extent of capital requirements
 - maintenance of liquidity
 - advantageous financing
- (3)
- 6.6
- Loans must increase ability of farm to generate profits.
 - Interest and capital redemption should not lead to cash flow problems.
 - All potential sources of credit should be considered so as to choose the cheaper and more relevant one.
 - Farmers should make borrowing the last alternative.
 - Negotiation of sound repayment conditions.
 - All credit agreements should be clear and in writing.
 - Insuring against risks.
 - Borrowing should be limited to fewer sources.
- (Any 4 × 2) (8)
- 6.7
- Matching approach: Is an approach where permanent capital requirements are financed by long- and/or medium-term funds and the temporary operating capital requirement by short-term funds.
 - Aggressive approach: in this approach permanent requirement for operating capital is financed partially by short-term funds and not only by long-term funds. Thus the approach uses more short-term funds. (2 × 2)
- (4)
[40]

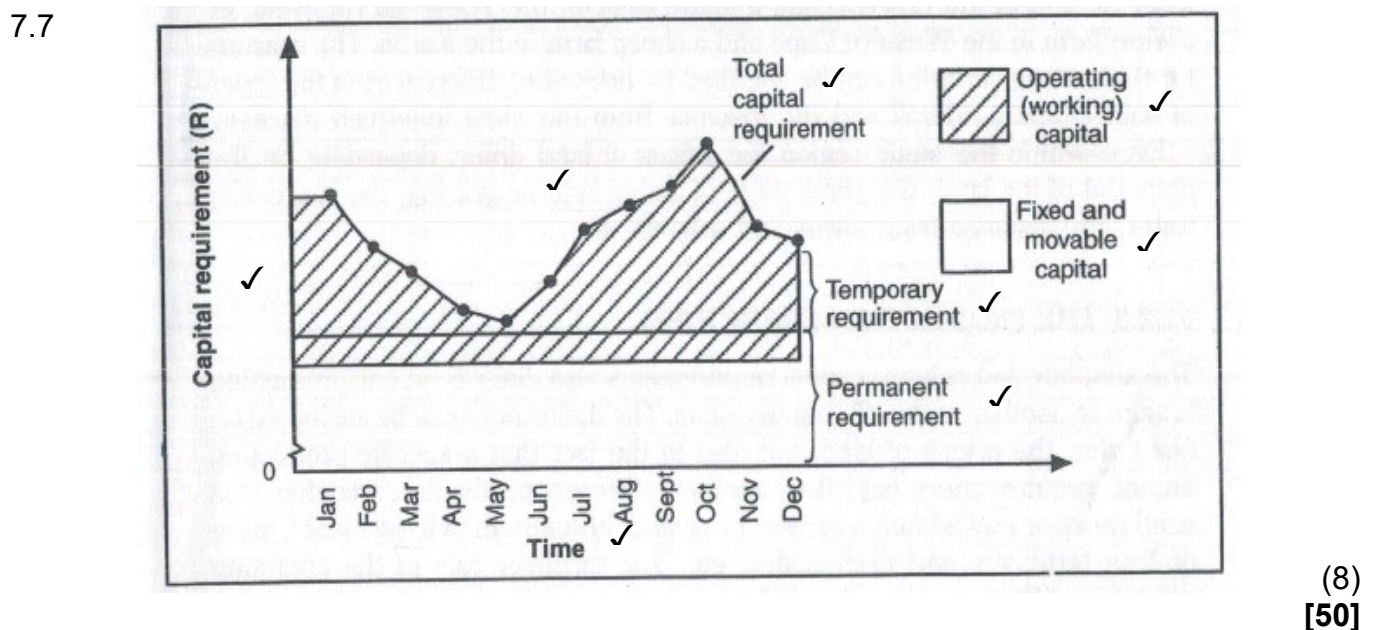
QUESTION 7

- 7.1 A farmer is a person who carries on farming operations in the Republic. (2)
- 7.2
- Net worth
 - Solvency position
 - Liquidity position
- (3)
- 7.3
- 7.3.1
- The Land Bank
 - Private persons
 - Insurance companies
 - Other banking institutions
 - Other financial institutions
 - Trade creditors
 - Agricultural co-operatives
- (7 × 2) (14)
- 7.3.2
- Value of leased land
 - Own capital
- (2)
- 7.3.3 Own capital (2)
- 7.3.4 It belongs to the farmer and does not need to be paid (2)

- 7.4
- Building of dams
 - Building of fences
 - Building of sheds and kraals
 - Establishment of orchards
 - Investment in breeding livestock
 - Investment in farm equipment
- (6)

- 7.5
- Capital appreciation on land
 - Capital gains from sale of assets
 - Non-farming income. like hiring out equipment
 - Reduction in income tax achieved by proper tax planning
 - Increase in replacement reserves or retained income
- (5)

- 7.6
- Construction of buildings and other fixed improvements
 - Buying livestock and equipment
 - Starting a new farming enterprise
 - Paying up of other existing loans and debts
 - Purchasing land
 - Payment of expenses related to subdivision of land
 - Other payments related to agriculture
- (Any 6 × 1) (6)



TOTAL: 200