



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

FINANCIAL MANAGEMENT: FARMING N5

08 June 2026

This marking guideline consists of 12 pages.

SECTION A

QUESTION 1

- 1.1 C
- 1.2 B
- 1.3 C
- 1.4 A
- 1.5 B
- 1.6 A
- 1.7 C
- 1.8 C
- 1.9 B
- 1.10 C

(10 × 1) [10]

QUESTION 2

- 2.1 E
- 2.2 A
- 2.3 B
- 2.4 C
- 2.5 F

(5 × 2) [10]

QUESTION 3

- 3.1 Maintenance of liquidity
- 3.2 Rate of return
- 3.3 Technical leverage effect
- 3.4 Collateral
- 3.5 Business risk

(5 × 2) [10]

TOTAL SECTION A: 30

SECTION B

QUESTION 4

4.1 4.1.1

Gross production value for cabbages	(R)
Cabbages sold for cash	✓300 000
Cabbages sold by credit	✓200 000
Cabbages fed to cattle	✓20 000
Cabbages given to workers	✓10 000
	✓530 000

(5)

4.1.2

Gross production value for cattle	(R)
Cattle sold at auction	✓600 000
Cattle slaughtered for household use	✓30 000
Cattle slaughtered for workers	✓70 000
Opening stock: Breeding cattle	✓-200 000
Closing stock: Breeding cattle	✓400 000
Cattle for breeding bought at an auction	✓100 000
	✓1 000 000

(7)

4.1.3

Gross production value for the farm	(R)
GPV for cabbages	530 000
GPV for cattle	1 000 000
	✓1 530 000

(1)

4.1.4

Cost of fertilizer	(R)
Opening stock	✓30 000
Add Purchases	✓100 000
Less closing stock	✓-50 000
	✓80 000

(4)

4.1.5

Cost of fuel	(R)
Opening stock	50 000
Add purchases	100 000
Less closing stock	-60 000
	✓90 000

(4)

4.1.6

Production, marketing and administration costs	(R)
Cabbages fed to cattle	✓20 000
Cabbages given to workers	✓10 000
Cattle slaughtered for workers	✓70 000
Cabbage seeds	✓60 000
Employee remuneration	✓200 000
Pesticides and vaccines	✓5 000
Cattle feed	✓50 000
Depreciation, repairs and maintenance	✓40 000
Cost of fertiliser	✓80 000
Cost of fuel	✓90 000
	✓625 000

(11)

4.1.7

Net farm income	(R)
Gross production value	✓1 530 000
Less production, marketing and admin costs	✓-625 000
	✓905 000

(3)

4.1.8

Remuneration to foreign capital	(R)
Interest paid on loan	✓20 000
Rent paid for rented land	✓50 000
	✓70 000

(3)

4.1.9

Farm profit	(R)
Net farm income	905 000
Less remuneration to foreign capital	✓-70 000
	✓835 000

(2)

4.2

4.2.1

Net value	(R)
Total assets	✓ 5 000 000
Less total liabilities	✓ -1 500 000
	✓ 3 500 000

(3)

4.2.2

Total capital employed	(R)
Total assets	5 000 000
Plus value of leased land	✓ 200 000
	✓ 5 200 000

(2)

4.2.3

Foreign capital employed	(R)
Total liabilities	1 500 000
Plus value of leased land	✓ 200 000
	✓ 1 700 000

(2)

4.2.4

Net working capital	(R)
Current assets	✓ 200 000
Less current liabilities	✓ 100 000
	✓ 1 700 000

(3)

[50]

QUESTION 5

5.1

5.1.1

Gearing ratio

$$\frac{\text{Net worth} \checkmark}{\text{Total liabilities}}$$

$$= \frac{\text{R3 500 000} \checkmark}{\text{R1 500 000} \checkmark}$$

$$= 2.33:1 \checkmark$$

(4)

5.1.2

Debt ratio:

$$\frac{\text{Total liabilities}}{\text{Total assets}} \times 100 \checkmark$$

$$= \frac{\text{R1 500 000}}{\text{R5 000 000}} \times 100 \checkmark$$

$$= 30\% \checkmark$$

5.1.3 **Net capital ratio:**

$$\frac{\text{Total assets} \checkmark}{\text{Total liabilities}}$$

$$= \frac{\text{R5 000 000} \checkmark}{\text{R1 500 000}}$$

$$= 3.33:1 \checkmark$$

(3)

5.1.4 **Current ratio:**

$$\frac{\text{Current assets} \checkmark}{\text{Current liabilities}}$$

$$= \frac{\text{R200 000} \checkmark}{\text{R100 000}}$$

$$= 2:1 \checkmark$$

(3)

5.1.5 **Percentage growth in net worth:**

$$\frac{\text{Closing net worth} - \text{opening net worth}}{\text{Opening net worth}} \times 100 \checkmark$$

$$= \frac{\text{R3 500 000} - \text{R3 000 000}}{\text{R3 000 000}} \times 100 \checkmark$$

$$= 16,67\% \checkmark$$

(4)

5.2 The gearing ratio is 2,33:1 which is more than the conservative banking practice of 1:1. The farm is in a good solvency position. ✓

The debt ratio is 30%, which is better than the minimum requirement of at most of 50%. The farm is in a good solvency position. ✓

The net capital ratio is 3,33:1, which is way better than the minimum requirement of 2:1. The farm is in a good solvency position. ✓

All three solvency ratios above indicate that the farm is in a good solvency position. ✓ Therefore, the calculation of only one solvency ratio is enough to show the overall solvency position of a farm. ✓

(5)

5.3 5.3.1 Water and electricity per R100 GPV:

$$\frac{\text{Water and electricity}}{\text{GPV}} \times \text{R100} \checkmark$$

$$= \frac{\text{R5 000}}{\text{R60 000}} \times 100 \checkmark$$

$$= 8,33 \text{ per R100 GPV} \checkmark \quad (3)$$

5.3.2 Total PMA per R100 GPV:

$$\frac{\text{PMA costs}}{\text{GPV}} \times \text{R100} \checkmark$$

$$= \frac{\text{R16 000}}{\text{R60 000}} \times 100 \checkmark$$

$$= 26,67 \text{ per R100 GPV} \checkmark \quad (4)$$

5.3.3 Largest contributor of costs:

$$\text{Wages/payments to workers} = \text{R12 000} \checkmark$$

Percentage of wages to total costs:

$$\frac{\text{Payments to workers}}{\text{Total costs}} \times 100 \checkmark$$

$$= \frac{\text{R12 000}}{\text{R36 000}} \times 100 \checkmark$$

$$= 33,33\% \checkmark \quad (4)$$

- 5.3.4
- Hire casual labourers as compared to full-time labourers
 - Mechanise the farm as it is cheaper in the long run
 - Improve the manpower efficiency and minimise the wastage of labour hours
- (Any 2 × 1) (2)

5.3.5 Profit = R60 000 – R36 000 = R24 000 ✓

$$\text{Return on Investment (ROI)} = \frac{\text{Profit obtained}}{\text{Capital invested}} \times \frac{100}{1}$$

$$= \frac{\text{R24 000}}{\text{R40 000}} \times 100 \checkmark$$

$$= 60\% \checkmark$$

Grandmother should be happy with a return of 60% on the capital invested. ✓

QUESTION 6**ANALYSIS CASH BOOK FOR MARCH 2021**

6.1

DEBIT				RECEIPTS									
Doc no.	Day	Details	Fol.	Analysis of receipts	Bank	Sales	Rental Income	Sundry accounts					
								Amount	Fol.	Details			
105	1	FBC Bank		R300 000	✓R300 000			✓R300 000			Loan		
106	10	David		R15 000	✓R15 000	R15 000							
107	16	TWC Bank		R4 000	✓R4 000			✓R4 000			Interest on fixed deposit		
108	22	Cash		R60 000	✓R60 000	R60 000							
109	26	Pensen		R16 000	✓R16 000		R16 000						
110	30	Melania		R34 000	✓R34 000			✓R34 000			Debtor (Settlement of account)		
		✓ (1 mark for all correct entries in the column)			✓R429 000	✓R75 000	✓R16 000	✓R338 000			✓ (1 mark for all correct entries in the column)		

(15)

INC

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FINANCIAL MANAGEMENT: FARMING N5

CREDIT		PAYMENTS											
Doc no.	Day	Name of Payee/beneficiary	Fol.	Bank	Production supplies		Wages & Salaries		Drawings		Sundry accounts		
											Amount	Fol.	Details
152	3	Secure		✓R10 000							R10 000		Security
153	4	AFRI AGRI		✓R40 000		R40 000							
154	7	Cash		✓R20 000				R20 000					
155	14	Olasure		✓R6 000							R6 000		Insurance
156	20	Cash		✓R20 000				R20 000					
157	21	Owner		✓R7 000						R7 000			
158	24	MTN		✓R5 000							R5 000		Cell phone
159	26	Municipality		✓R12 000							R12 000		Rates
		✓ (1 mark for all correct entries in the column)		✓R120 000		✓R40 000		✓R40 000		✓R7 000	✓R33 000		✓ (1 mark for all correct entries in the column)

(15)

Please

- 6.2 6.2.1 Bank reconciliation is where there is a reconciliation between the amount in the bank account (Bank statement)✓ with the amounts in the journals and bank account in the general ledger.✓
- At times there might be transactions that might occur at the bank which not recorded in the cashbook (journals) and vice versa.✓ (3)
- 6.2.2 • Bank statement
• Cashbook OR Cash journals (CRJ and CPJ)
• Bank account in the general ledger (3)
- 6.2.3 • Stale cheque is an expired cheque that has lapsed for 6 months without being presented for payment.
• A dishonoured is a cheque issued by the customer to the farming enterprise while there are insufficient funds in the customer's bank account. (2 × 2) (4)
- [40]**

QUESTION 7

7.1 7.1.1 Payback period: Farmer 1

$$= 3 \text{ years} \checkmark + \frac{R130\,000 \checkmark}{R140\,000 \checkmark} \\ = 3.93 \text{ years} \checkmark$$

Payback period: Farmer 2

$$= 3 \text{ years} \checkmark + \frac{R150\,000 \checkmark}{R250\,000 \checkmark} \\ = 3,6 \text{ years} \checkmark$$

(8)

7.1.2 Farmer 2

(1)

7.1.3 Farmer 2 has a smaller payback period of 3,6 years compared to 3,93 years for farmer 1 ✓. Thus, farmer 2 has less risky cash flows to the bank ✓

(2)

7.2 7.2.1 Internal rate of return (IRR)

$$= \frac{\text{average net cash flow} - \text{average depreciation}}{\text{Initial investment}} \times 100 \checkmark$$

Farmer 1

$$= \frac{(R410\,000 + R40\,000) \checkmark}{4} - \frac{(R400\,000 - R40\,000) \checkmark}{4} \times 100 \checkmark \\ \hline R400\,000 \checkmark$$

$$= \frac{R112\,500 - R90\,000}{R400\,000} \times 100 \checkmark \\ = 5,63\% \checkmark$$

Farmer 2

$$= \frac{(R700\,000 + R60\,000) \checkmark}{4} - \frac{(R600\,000 - R60\,000) \checkmark}{4} \times 100 \checkmark \\ \hline R600\,000 \checkmark$$

$$= \frac{R190\,000 - R135\,000}{R600\,000} \times 100 \checkmark \\ = 9,17\% \checkmark$$

(11)

7.2.2 Farmer 2 (1)

7.2.3 Farmer 2 has a higher Internal rate of return (profits) of 9,17%✓ compared to 5,63% for farmer 1.✓ (2)

7.3

DISADVANTAGES OF PAYBACK PERIOD	DISADVANTAGES OF IRR
- It ignores the total profitability of the whole project. - The payback period ignores the time value of money. - The payback period ignores the net cash flow received in the economic life of the project.	- It is complex to calculate - It is only concerned with the profitability and not payback - The rate of return and the net present value may differ

(3 × 2) (6)

7.4 7.4.1 Break even occurs where the total cost equal the total income (GPV) ✓ and thus there is no profit or loss✓. (2)

7.4.2 Break-even point = $\frac{\text{Total fixed costs}}{\text{Income per ha} \checkmark - \text{variable cost per ha} \checkmark}$ ✓ (3)

7.4.3 Break-even point = $\frac{\text{R3 000} \checkmark}{\text{R80} \checkmark - \text{R20} \checkmark}$ ✓
= 40 broilers✓ (4)

[40]

TOTAL SECTION B: 170
GRAND TOTAL: 200