



# higher education & training

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

## **MARKING GUIDELINE**

**NATIONAL CERTIFICATE**

**MANAGEMENT: FARMING N5**

**18 NOVEMBER 2019**

**This marking guideline consists of 7 pages.**

**SECTION A****QUESTION 1**

- |     |       |   |             |      |
|-----|-------|---|-------------|------|
| 1.1 | 1.1.1 | G   |             |      |
|     | 1.1.2 | D   |             |      |
|     | 1.1.3 | B   |             |      |
|     | 1.1.4 | A   |             |      |
|     | 1.1.5 | F   |             |      |
|     |       |   | (5 × 1)     | (5)  |
| 1.2 | 1.2.1 | False, refers to the 'WHAT' of entrepreneurship.  |             |      |
|     | 1.2.2 | True  |             |      |
|     | 1.2.3 | False, a sole trader is not taxed separately from the owner.  |             |      |
|     | 1.2.4 | False, there is no difference between the trust and other forms of ownership on the legal person of the business.   |             |      |
|     | 1.2.5 | True  |             |      |
|     |       |   | (5 × 2)     | (10) |
| 1.3 | 1.3.1 | <ul style="list-style-type: none"> <li>• Economic innovation</li> <li>• Creation of an organisation</li> <li>• Profit seeking in the market focused sector</li> </ul>   |             | (3)  |
|     | 1.3.2 | <ul style="list-style-type: none"> <li>• Creating new products</li> <li>• Introducing new production methods</li> <li>• Entering new markets</li> <li>• Acquiring new stock resources</li> <li>• Industrial reorganisation</li> </ul>     |             | (5)  |
| 1.4 |       | <ul style="list-style-type: none"> <li>• Motivate to achieve</li> <li>• Positive self-image</li> <li>• Acceptance of risk</li> <li>• Ingenuity</li> <li>• Pursuit of independence</li> <li>• Intelligence and formal education</li> </ul> | (Any 4 × 1) | (4)  |
| 1.5 |       | <ul style="list-style-type: none"> <li>• Combine factors of production</li> <li>• Determine rewards for factors of production</li> <li>• Planning the organisation</li> <li>• Risk taking</li> <li>• Expansion of business</li> </ul>     |             | (5)  |

- 1.6
- Create an entrepreneurial culture
  - Accommodate entrepreneurship
  - Ensure that the entrepreneur is fit for the job
  - Reward the entrepreneur
- (4 × 2) (8)  
**[40]**

**QUESTION 2**

- 2.1 2.1.1 Defined as a relation or agreement that is contracted between two or more members who will then operate a business. (2)
- 2.1.2
- The partnership is relatively easy and informal to establish.
  - A partnership is formed once partners draw up and sign a partnership agreement (contract).
  - A written or verbal agreement is always preferable.
  - This agreement needs to provide for the name of partnership, the names of the individual partners, the nature and duration of the partnership, the capital contribution and obligations of each partner, distribution of any profits or losses and the sale of the business at the termination of the partnership. (4 × 2) (8)
- 2.1.3
- Partners operate in good faith towards others.
  - Each partner has to contribute what was agreed upon in the contract.
  - Each partner has the right to share in any profits earned.
  - Each partner has the right to have access to and the use of any of the assets belonging to the partnership.
  - A partner may be reimbursed for any expenses that he has personally incurred.
  - Each partner has the right to represent the partnership.
  - Each partner has the right to have insight into the financial records of the partnership.
  - Partners have to provide co-partners with accounts regarding the transactions that are entered into on behalf of the business. (8)
- 2.1.4
- It is easy and affordable to establish.
  - The management and control of partnerships are not regulated by legislation as in the case of companies.
  - It offers the advantage that more than one person can put together the finance and other assets to target a mutual objective.
  - Partners usually have a personal interest in the success of the partnership.
  - Dissolution of a partnership is relatively easy. (Any 4 × 1) (4)

- 2.2      2.2.1      • Separate legal entity.  
 • It offers continuity to its members because it is a legal person.  
 • The setting up is relatively cheap and easy.  
 • The management is quite flexible.  
 • Decision making structures are not complex.  
 • A closed corporation may buy its member's interest.  
 • A closed corporation may buy shares in a company. (Any 5 × 2)      (10)
- 2.2.2      • Name of the business  
 • Address  
 • Main function of the business  
 • Name of the accounting officer  
 • Address of the accounting officer  
 • Names of all members  
 • Address of all members  
 • Size and detail of their individual interest in the corporation      (8)  
**[40]**

**QUESTION 3**

- 3.1      • What are the future objectives of the farmer?  
 • What are the current objectives and strategies of the farmer?  
 • What are the strengths and weaknesses of the farmer?  
 • What resources do farmer have at his disposal?  
 • What are the characteristics of the farming enterprise environment?  
 • What strategy opportunities are there in the environment?  
 • How can the opportunities be developed?  
 • How comprehensive/extensive does the current strategy have to be changed?  
 • How is the new strategy going to be implemented?  
 • What control measures can be exercised to ensure success?      (10)
- 3.2      • Implement big, wide-ranging decisions as smaller steps over a longer period of time.  
 • Calculate the cash flow against a range of prices.  
 • Keep cash flow and financial records.  
 • Arrange for repayment of long-term financial loans.  
 • Maintain a sound financial position.  
 • Keep a credit or cash reserve equal to the amount needed to pay debtors.  
 • Diversify.  
 • Select stable operation branches.  
 • Limit production risks.  
 • Take out comprehensive insurance.  
 • Keep machinery and equipment in a good condition.      (Any 5 × 2)      (10)

- 3.3
- Increased manpower efficiency due to a better layout of the building.
  - Later additions to the building might be more effective.
  - A new and possibly better situation for the new building.
  - Lower maintenance and repair costs.
  - A better general appearance. (5)
- 3.4
- Environment changes continuously and must keep pace with changes.
  - Determine what factors hold threats for the farm's current objectives and strategy.
  - What factors offer opportunities for achieving objectives more effectively.
  - Systemic exploration of environment leads to more successful farming. (4 × 2) (8)
- 3.5
- Diversification
  - Flexibility of the business
  - Storage and building up reserves
  - Contracts
  - Forecasting with the aid of available resources (Any 4 × 1) (4)
- 3.6
- Managerial competencies
  - Objectives of the farmer
  - Personal preferences
  - Available physical resources
  - Availability of the markets (Any 3 × 1) (3)
- [40]**

**QUESTION 4**

- 4.1 4.1.1 Focus is on covering any risk of death of the insured.
- 4.1.2 Focus is on savings and accumulation of funds. (2 × 3) (6)
- 4.2 4.2.1 Whole life assurance
- 4.2.2 Endowment policy with life coverage
- 4.2.3 Pure endowment policy
- 4.2.4 Entrenched policy
- 4.2.5 Disability insurance (5 × 2) (10)
- 4.3 4.3.1 +55 years
- 4.3.2 Ordinary policies (2 × 2) (4)
- 4.3.3
- May not be bought off.
  - May not be assigned to someone.
  - Safe/Cannot be claimed in the event of insolvency.
  - Suitable for people who are not members of a pension fund. (Any 3 × 2) (6)

- 4.4 4.4.1
- Cover losses due to weather conditions.
  - Includes drought, floods, hail, wind, frost, snow, and lightning.
  - Cover losses due to plant disease.
  - Losses due to pest, wild, fire, earth quakes. (4)
- 4.4.2
- Negligence
  - Poor cultivation practices
  - Theft (3)
- 4.4.3
- Determined by the level of risk based on historical losses in the area.
  - Determined by the amount of capital investment per hectare for that crop.
  - Premiums are calculated per hectare of the crop.
  - Calculated by the potential value of the crop. (Any 3 × 1) (3)
- 4.5
- Regarded as long-term insurance.
  - Aimed at coverage against a definite occurrence, such as death or reaching a specific age.
  - Provision is made for the payment of a specified amount of money.
  - Provides security for the future of the dependants.
  - Provision is made for the payment of a specific amount of money. (Any 4 × 1) (4)
- [40]**

## QUESTION 5

- 5.1 *Legatee* is a person who receives a specific asset as described in the will, ✓✓ while an *heir* receives part of or the entire bequest, or any other remnant after the debts for the will have been paid. ✓✓ (2 × 2) (4)
- 5.2
- Instead of transferring the ownership of the entire property,
  - for example, the farm, to the beneficiary, the testator can allow usufruct of the property to a third party
  - for a specific time or as long as the spouse lives.
  - This person then has the right to take ownership of the asset.
  - The farm will then provide for the needs of this person.
  - The lessee has to maintain the land and keep it in the same condition as when he received the land.
  - A value may be attached to this right. The value of the usufruct at a given time for bequest and gift taxation purposes is equal to 12% of the market value of the property. (Any 6 × 1) (6)

- 5.3
- Within 14 days of death, the next of kin must hand in a notice of death, death certificate, identity document and provisional inventory of the assets of the deceased.
  - If the assets of the deceased require attention, for example, a farm with animals or business, then the Master will appoint an intermediate curator to take care of the assets.
  - The Master then appoints an executor by issuing an executor's letter.
  - The executor then provides a statement of income of the deceased since the last tax return at the time of death to SARS.
  - He/She has to pay all outstanding accounts to creditors, as well as collect all outstanding income due to the deceased.
  - The executor draws up liquidation and distribution accounts.
  - The distribution account shows how the net value of all assets will be distributed among the beneficiaries.
  - The executor will prepare a summary for estate taxation on the prescribed form and hand it in at the Master.
  - Thereafter the assets are divided according to the distribution account and carried over to the heirs and legatees.
  - Any inheritance to minors will be placed in the Guardians Fund, as stipulated by the Estate Act, except if the will prescribes otherwise.
  - The executor can apply to the Master of the Supreme Court to be dismissed from his/her duties as executor.
  - The process can take six to eight months. (20)
- 5.4
- Signed by testator/testatrix.
  - If testator only made a mark or signed by someone else/certificate of magistrate, justice of the peace, commissioner of oaths or notary.
  - Two or more witnesses present.
  - No advantages received/at least 14 years old.
  - Witnesses must also sign in the presence of testator/testatrix.
  - Each page must be signed the same way.
  - Later cancellations, additions, changes must comply with the same requirements. (Any 5 × 2) (10)
- [40]**
- TOTAL: 200**