



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

MANAGEMENT: FARMING N5

28 September 2020

This marking guideline consists of 8 pages.

QUESTION 1

- 1.1
- A certain percentage of the current commercial farmers will continue to operate as bona fide farmers.✓
 - These farmers will have existed in the free-market system with less technical, marketing and financial support.✓
 - More entrepreneurial skill as well as better managerial capabilities must be applied in order to develop and grow the farming concern.✓
 - Greater innovation from the farmer will be needed to overcome problems and risks.✓
 - Some farmers will farm part-time and will also have another occupation or job.✓
 - Thousands of farmers are already in this position.✓
 - The trend for more farmers in this category increase due to the economic climate.✓
 - Other farmers and some part-time farmers will be forced to leave their farms due to various reasons, i.e. droughts.✓
 - Diminishing support from government, as well as the transfer of land to previously disadvantaged populations.✓✓

(9)

- 1.2 Step 1: Create an entrepreneurial culture✓

Created by investigating innovate ideas and by seeing changes as an opportunity rather than a threat.✓✓

Step 2: Accommodate entrepreneurship✓

The business must be open to entrepreneurial skills and ideas. This can be achieved by changing business practices,✓ restructuring the organisational structure, changes in staff recruitment, personnel management and remuneration policies, as well as incentive schemes for employees.✓

Step 3: Ensure that the entrepreneur is fit for the job✓

A few questions need to be answered:

- What are the assumptions regarding consumers and markets?✓
- Which work must be done?✓
- How much money and time are needed for the project?✓
- How many people are involved?✓
- What results are expected?✓

Step 4: Reward the entrepreneur✓

The entrepreneur should be rewarded for the achievement reached.✓✓

(12)

1.3 Development of natural resources✓

- Responsible for economic innovation. In the agricultural sense this is a process where natural resources✓ are utilised to produce consumable goods and other raw materials.✓

Create job opportunities✓

- In order to produce consumable goods and raw materials, the farmer needs labour and other production inputs.✓✓

Leadership in production✓

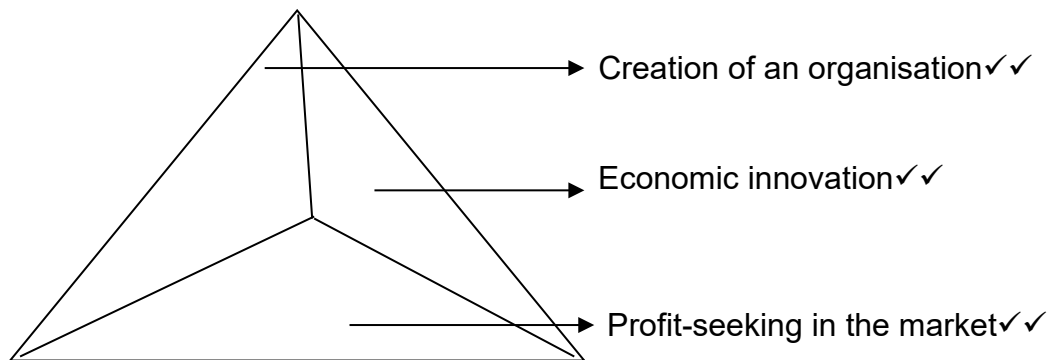
- Agricultural entrepreneurs usually take lead in the agricultural sector when new technology is implemented, as they are willing to take risks.✓✓

Entrepreneurship is a component of the free-market system✓

- The free-market system can only operate when there is a demand for and a reliable supply of products and services in the market.✓✓

(12)

1.4



(3 × 2) (6)

- 1.5
- Entrepreneurial process
 - Personality attributes of the entrepreneur

(Any 1 × 1) (1)
[40]

QUESTION 2

2.1

	PARTNERSHIPS	CLOSED CORPORATIONS
2.1.1	2–20✓	1–10✓
2.1.2	Limited continuity✓	Unlimited✓
2.1.3	Unlimited✓	Limited✓
2.1.4	Partners profit✓	Based on members interest✓
2.1.5	Member contributions✓	Shares✓

(5 × 2) (10)

- 2.2 2.2.1 Described as a form of ownership that is operated by an individual who is the owner of all assets in the business. (2)
- 2.2.2 • Establishment is relatively easy.
• All profits of the business belong to the owner.
• The success of the business relies on the owner.
• The business is taxed on the personal income of the owner.
• All attention goes to the owner.
• The business can be easily terminated. (Any 4 × 2) (8)
- 2.2.3 • The owner is personally liable for any debts incurred by the business.
• Financial assistance and expansion possibilities are limited to the creditworthiness of the owner.
• The business relies on the knowledge and skill of the owner during decision making.
• The continuity of this form of ownership is dependent on the lifespan of the owner. (4 × 2) (8)
- 2.3 2.3.1 Defined as a relation or agreement that is contracted between two or more members who will then operate the business. (2)
- 2.3.2 • Each partner needs to make a contribution towards the business.
• Profit-taking must be the main motive of the business.
• The partnership must be operated with a common interest of all parties to the agreement. (3 × 2) (6)
- 2.3.3 • A partnership is not taxed separately from the individual partners.
• Partners are taxed individually according to their respective shares in the profits of the partnership. (2 × 2) (4)
- [40]**

QUESTION 3

- 3.1 3.1.1 • Choice of crops
• Production system used
• Level of technical competencies
• Extent of production
• Input cost
• Output (Any 5 × 1) (5)

- 3.1.2
- Soil types
 - Expected crop yields
 - Slope of soil
 - Soil erosion
 - Hygroscopicity
 - Drainage
 - Soil fertility
- (Any 5 × 1) (5)
- 3.1.3
- Total hectares
 - Arable areas
 - Cultivated fields
 - Cultivated pastures
 - Cultivated orchards, plantations
 - Farm yards and waste lands
- (Any 5 × 1) (5)
- 3.2 3.2.1
- The environment changes constantly
 - Management must keep pace with changes.
 - Factors in the environment should be identified that may be a threat to the objectives and strategy of the farming concern.
 - It needs to be determined which factors offer opportunities in reaching goals through deviations in the strategy.
 - There is a bigger chance of success when the environment is analysed systematically.
- (5 × 2) (10)
- 3.2.2
- Technological developments✓
- There are continuous developments by the government,✓ industry and farmers in new seed cultivars, herbicides and pesticides.✓
- Economic changes✓
- The demand for agricultural produce,✓ the local and international supply of goods, price fluctuations in input cost, interest rates of financing and the inflation rate, require price changes.✓
- Political changes✓
- Legislation, land restoration policies, political policies regarding the demand for agricultural produce.✓✓
- Social changes✓
- Changes in the behaviour and composition of the population or community that can influence the farmer are✓ the increase or decrease in population numbers.✓ (4 × 3) (12)
- 3.2.3
- Profitability of production
 - Factors that influence the profitability of production
 - Price of petrol
- (3)

[40]

QUESTION 4

- 4.1 4.1.1 Testate succession
Takes place when the testator has a legal will at his death.
- 4.1.2 Legatee
Is a person who receives specific assets as described in the will?
- 4.1.3 Codicil
Later statements or additions to a will.
- 4.1.4 Heir
Receives part of or the entire bequest, or any other remnant after the debts of the will have been paid.
- 4.1.5 Substitution
Indicates that the testator names an alternative heir in the instances where the heir dies before he/she should receive the inheritance.
- (5 × 2) (10)
- 4.2 4.2.1
- Provide sufficient funds to the surviving spouse/partner.
 - Provide continuity for the farming business.
 - Divide the assets fairly.
 - Designed in such a way that income tax, as well as estate taxation are minimised.
 - Allow testator to keep control over his/her assets as long as he/she lives.
 - Should not create unnecessary delays or high costs in the administration of the estate.
 - Simple and easily understood.
 - Updated regularly.
- (8)
- 4.2.2
- 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
 - Not 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.
- (10)

- 4.2.3
- Notice of death
 - Death certificate
 - Identity document
 - Provisional inventory
 - Latest testament (will)
- (5)
- 4.3
- The creator of the trust
 - Family members
 - Friends
 - Banks or trust companies
 - Professional persons, i.e. attorneys or auditors
- (5)
- 4.4
- It is a legal arrangement which involves a person (a settler) transferring a legal title of assets to another person or body (the trustee) to hold for the benefit of one of more persons (the beneficiaries) which may include the settler.
- (2)
[40]

QUESTION 5

- 5.1
- 5.1.1 Short-term insurance
- Contracts are renewed yearly
 - The insured are paid out according to his/her loss or damage
 - The taxation on these policies determined by SARS stipulated that the yield can either be of capital in nature
 - The premiums paid on insuring assets that are utilised in the running of the business can be tax-deductible
 - Income from insurance is of capital in nature
- (5 × 2) (10)
- 5.1.2 Long-term insurance
- The insured amount will be paid out at the death of the insured or
 - The at the insured's permanent disability or
 - At the end of a specified period of time as valued at that time.
 - Ensured of a stable and constant flow of premiums over the long term from new policies and from funds generated through investment of capital.
 - As well as the minor chances of being paid huge amounts for claims.
- (5 × 2) (10)
- 5.2
- What are the possibilities that a certain kind of loss will occur?
 - What will the extent of this loss be?
 - How can insurance be utilised to protect the farmer against these losses?
 - What will the cost of such insurance be?
- (4)

- 5.3
- The insurance portfolio of any farmer must include cover against damages by fire, wind and hail to buildings, machinery and equipment and animals.
 - As well as to the content of buildings.
 - Insurance companies are willing to extend their insurance cover of property to include damages caused by riots, unrest and explosions.
 - Property must be insured at realistic value to prevent over and under insurance. (Any 3 × 2) (6)
- 5.4
- 5.4.1
- Unforeseen losses suffered due to weather conditions, droughts, floods, hail, frost, snow, thunder and lightning.
 - Losses due to plant diseases and pests.
 - Damage caused by wild animals, fire damage and earthquakes. (3)
- 5.4.2
- Negligence
 - Poor cultivation practices
 - Theft (3)
- 5.4.3
- Premiums are determined by the level of risk based on historical losses in the area✓ and the amount of capital investment per hectare for that crop.✓
 - Calculated per hectare of the crop,✓ as well as the potential value of the crop.✓ (4)
- [40]**
- TOTAL: 200**