



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE MANAGEMENT: FARMING N5

11 November 2022

This marking guideline consists of 9 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. Make your ticks and crosses neatly and legibly.
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QUESTION 1

1.1	1.1.1	False		
	1.1.2	True		
	1.1.3	False		
	1.1.4	True		
	1.1.5	False		
			(5 × 2)	(10)
1.2	1.2.1	<ul style="list-style-type: none"> • Freedom to utilise opportunities that exist in the organisation • Flexibility of the organisation (no rigid rules and regulations that an entrepreneur should conform to or abide by) • Confidence that management has the abilities of the entrepreneurs, as well as support offered to entrepreneurs • Allow entrepreneurs to be creative in the organisation • Allow entrepreneur to conduct his/her activities independently • The entrepreneur has the opportunity to take risks in the organisation. 	(4 × 2)	(8)
	1.2.2	<ul style="list-style-type: none"> • Combine factors of production • Determine rewards for factors of production • Planning the organisation • Risk taking • Expansion of business 	(5 × 2)	(10)
	1.2.3	<ul style="list-style-type: none"> • Motivated to achieve aims • Positive self-image • Ingenuity • Acceptance of risk • Pursuit of independence • Intelligence and formal education 	(Any 2 × 1)	(2)
1.3	1.3.1	Uncontrollable		
	1.3.2	Controllable		
	1.3.3	Controllable		
	1.3.4	Controllable		
	1.3.5	Uncontrollable		
			(5 × 2)	(10)
				[40]

QUESTION 2

- | | | | | |
|-----|---|--|-------------|------|
| 2.1 | 2.1.1
2.1.2
2.1.3
2.1.4
2.1.5 | D
B
D
E
A | (5 × 2) | (10) |
| 2.2 | 2.2.1 | <ul style="list-style-type: none"> • Testamentary trust • Contractual trust | | (2) |
| | 2.2.2 | <ul style="list-style-type: none"> • There are few statutory prescriptions with regard to the establishment of the trust. • The establishment of trust through a contract enables the founder and trustees to determine the content and objectives of the trust • The founder can easily lay down his own guidelines for the management of the trust • There are no limits to the number of beneficiaries • Better taxation advantage • Only separate assets of the trust are exposed to the risk of a possible failure • There is no limit on the duration of the trust | (Any 5 × 2) | (10) |
| | 2.2.3 | <ul style="list-style-type: none"> • Manage the trust assets with care • Exercise good faith towards beneficiaries • Keep proper records and report to beneficiaries • Keep their own assets separate from theirs | (4 × 2) | (8) |
| 2.3 | | <ul style="list-style-type: none"> • A closed corporation is a separate legal entity which allows for a limited liability to its members. • It offers continuity to its members due to it being a legal person. • The foundation of the corporation is relatively cheap and easy. • The management is quite flexible. • Decision making structures are not complex. • A closed corporation may buy its member's buy interest and may also provide financial assistance to its members to enable them to become members of the business. • A closed corporation may buy shares in a company and may also manage a company. | (Any 5 × 2) | (10) |

[40]

QUESTION 3

- 3.1 3.1.1 A strategic plan is a plan which focuses on the development of broad long term plan✓ to realize the overall mission of the business.✓ (2)
- 3.1.2
- Strategic planning is focused on a timeframe of three to ten years
 - It is centred on all aspects of the entire business
 - It is focused on future and is considers all possible environmental changes
 - It requires a continued adaptation to environment
 - It has no specific detail, but rather has broad general guidelines to steer the business on the way forward (5 × 2) (10)
- 3.1.3
- Managers are enabled to investigate and evaluate the external environment
 - More profitable opportunities for the farm may be identified
 - Requires a better understanding and awareness of opportunities as well as threats in the external environment
 - Resources on the farm can be easily applied to address the demands of the environment
 - Farmers actions and thoughts are focused according to a long term plan
 - Provides guidance to the farmer in managing his daily activities
 - Provides a framework for decision-making (Any 4 × 2) (8)
- 3.1.4
- Implement wide ranging decisions as smaller steps spread over a longer period
 - Calculate the cash flow against a range of price and return on investment possibilities before a long term commitment is made regarding land, buildings and machinery
 - Keep cash flow and financial records updated in order to detect any problem sooner than later
 - Arrange for payment for long term financial loans over the longest period as possible in order to provide for uncertain times
 - Maintain a sound financial position throughout
 - Keep a credit or cash reserve equal to the amount needed to pay debtors over a period of at least one or two years
 - Diversify production by focusing on more than one type of crop and/or livestock
 - Select stable operation branches
 - Use low investment production systems
 - Continually keep machinery and equipment in good condition (Any 5 × 2) (10)

- 3.2
- Production uncertainties✓ - Yield per hectare fluctuate greatly due to weather conditions and other factors such as pests and diseases.✓
 - Price uncertainties✓ - The forces of demand and supply will have an impact on the prices of crops and livestock.✓
 - Risk due to aging✓ - The old equipment and machinery become obsolete and less effective and new ones should be used.✓
 - Political and social uncertainties✓ - The changes in legislation in the agricultural sector may increase the production cost and require farmers to be reskilled.✓
 - Human uncertainties✓ - The health and well-being of the human resource is unpredictable and may have a negative influence on production.✓
 - Keep a credit or cash reserve equal to the amount needed to pay debtors over a period of at least one or two years.✓✓
 - Financial uncertainties✓ - Changes in the availability, cost and terms of repayment of the borrowed capital can influence the business.✓
 - Mechanical uncertainties✓ - One cannot predict when the machinery will be defective. The machinery can be defective during the peak season and that will have a negative effect on the profitability of the business.✓
 - Uncertainties due to elements of nature and human intervention✓ - Production can be hampered by unforeseen circumstances such as fire, wind and bad weather conditions. Use low investment production systems✓
- (Any 5 × 2) (10)

[40]**QUESTION 4**

- 4.1
- | | | | |
|--|-------|---|--|
| | 4.1.1 | C | |
| | 4.1.2 | B | |
| | 4.1.3 | G | |
| | 4.1.4 | A | |
| | 4.1.5 | E | |
- (5 × 2) (10)
- 4.2
- 4.2.1 Rose, a legatee, is a person who receives a specific asset as described in the will✓✓ whilst Molly, the heir, receives part of or the entire bequest, or any other remnant after the debts for the will have been paid.✓✓ (4)
- 4.2.2
- The will must be signed
 - The undersigning of the will must take place in the presence of at least two qualified witnesses
 - The witnesses must sign the will in the presence of the testator
 - When the will comprises more than one page, every page should be signed (Any 3 × 1) (3)
- 4.3
- 4.3.1
- Stipulations for beneficiaries
 - Conditions under which beneficiaries receive their parts of the bequest
 - Appointment of executors (3)

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- 4.3.2 An executor is a person who is appointed by the Master of the Supreme Court✓ to oversee the fair distribution of Mr Chauke's estate.✓✓ (3)
- 4.3.3 Consolidation of wills is a situation where Mr Chauke and his wife✓ agree that their individual estates must be combined once the first partner dies.✓✓ (3)
- 4.4 A usufruct is a legal right accorded to a person or party that confers the temporary right to use and derive income or benefit from someone else's property.✓✓ e.g.:
- Instead of transferring the ownership of the entire property✓
 - 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
 - The 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 he received the land
 - A value may be attached to this right (Any 2 × 1) (4)
- 4.5
- To manage the minors' inheritance
 - To allow competent people to manage the funds
 - To involve experts in a formal way in the management of assets and investment of cash funds from an estate
 - To provide for the continuation of the farming business as one unit
 - To provide for flexibility in the final division of assets
 - To save income tax and estate tax/estate duty (Any 5 × 1) (5)
- [40]**

QUESTION 5

- 5.1 5.1.1
- These policies differ from ordinary policies in that the premiums are tax-deductible from income to a maximum amount
 - The fact that annuities cannot be ceded to third parties makes it a better option in saving
 - Annuities cannot be redeemed or ceded to third parties and this is a safe option for saving
 - Retirement annuities can be bought with life coverage or without
 - In the case of ordinary policies for individuals, the premium is non-deductible for tax purposes
 - At retirement one third of the funds is available to be taken up and is tax exempted
 - The yield generated on the policy is again taxable when paid out
 - No claim cannot be made against this money in case of insolvency
 - The yield of retirement annuities may not be taken up before the age of 55
- (Any 5 × 1) (5)
- 5.1.2
- These insurances falls under short term insurances
 - They provide coverage against any claim from a third party
 - The claims could be for injuries of a personal nature and damages to personal property where the farmer is compelled to pay compensation
 - This type of insurance is designed to protect the farmer from legal action and court cases from the public
 - This coverage usually includes the farmer's spouse and dependants
- (5)
- 5.2 5.2.1
- Unforeseen losses due to unfavourable weather conditions
 - Drought
 - Hail
 - Floods
 - Snow
 - Thunder
 - Lightning
 - Plant diseases
 - Plant pests
 - Fire damage
 - Earthquakes
- (Any 4 × 1) (4)
- 5.2.2
- Losses caused by negligence
 - Losses caused by poor cultivation practices
 - Losses due to theft of crops
- (3)
- 5.2.3
- per hectare
 - according to crop value
 - determined by risk based on historical losses in the area and the amount invested per hectare
- (3)

5.3	5.3.1	True		
	5.3.2	False		
	5.3.3	False		
	5.3.4	True		
	5.3.5	False		
			(5 × 2)	(10)
5.4	5.4.1	Whole life assurance		
	5.4.2	Endowment policy with life coverage		
	5.4.3	Pure endowment policy		
	5.4.4	Entrenched policy		
	5.4.5	Disability insurance		
			(5 × 2)	(10)
				[40]
			TOTAL:	200