Formative PoE Guide

Basic Financial Management

Level 2

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Adaptation:
Citrus Academy

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Learner Orientation

Unit Standard Information

Illustrate and understand the basic layout of financial statements

SAQA US ID	**UNIT STANDARD TITLE**			
116083	Illustrate and understand the basic layout of financial statements			
ORIGINATOR				
SGB Primary Agriculture				
PRIMARY OR DELEGATED QA BODY				
-				
FIELD			**SUBFIELD**	
Field 01 - Agriculture and Nature Conservation			Primary Agriculture	
ABET BAND	**UNIT STANDARD TYPE**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**CREDITS**
Undefined	Regular	Level 2	NQF Level 02	2
REGISTRATION STATUS		**REGISTRATION START DATE**	**REGISTRATION END DATE**	**SAQA DECISION NUMBER**
Reregistered		2015-07-01	2018-06-30	SAQA 10105/14
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2019-06-30		2022-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

PURPOSE OF THE UNIT STANDARD

A learner achieving this unit standard will be able to define and illustrate the gross margin statement, income statement, balance sheet and cash flow budget as well as the different cost aspects that one can find in a business.

In addition learners will be well positioned to extend their learning and practice into other areas of costing and basic financial statements or, to strive towards professional standards and practices at higher levels.

Competent learners will know if the business is making a profit or a loss, and how to generate basic but effective managerial information from it.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

It is expected of the learner attempting this unit standard to demonstrate competence against the following unit standard or equivalent:

- NQF 1: Identify the need for capital and understand the need for the recording of the income and different costs in an agri-business.

UNIT STANDARD RANGE

Whilst range statements have been defined generically to include as wide a set of alternatives as possible, all range statements should be interpreted within the specific context of application.

Range statements are neither comprehensive nor necessarily appropriate to all contexts. Alternatives must however be comparable in scope and complexity. These are only as a general guide to scope and complexity of what is required.

Unit Standard References

The SAQA registered unit standards associated with this learning program is attached at the end of this PoE guide for your information.

Please do not hesitate to ask the facilitator or assessor to explain anything that you do not understand or need help with.

Associated Qualification

This unit standard forms part of the learner support materials for following qualification:

National Certificate: Plant Production

SAQA QUAL ID	**QUALIFICATION TITLE**			
48975	National Certificate: Plant Production			
ORIGINATOR		**ORIGINATING PROVIDER**		
SGB Primary Agriculture				
QUALITY ASSURING BODY				
AgriSETA - Agriculture SETA				
QUALIFICATION TYPE	**FIELD**		**SUBFIELD**	
National Certificate	Field 01 - Agriculture and Nature Conservation		Primary Agriculture	
ABET BAND	**MINIMUM CREDITS**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**QUAL CLASS**
Undefined	120	Level 2	NQF Level 02	Regular-Unit Stds Based
REGISTRATION STATUS		**SAQA DECISION NUMBER**	**REGISTRATION START DATE**	**REGISTRATION END DATE**
Reregistered		SAQA 0695/12	2012-07-01	2015-06-30
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2016-06-30		2019-06-30		

National Certificate: Plant Production

SAQA QUAL ID	**QUALIFICATION TITLE**			
49052	National Certificate: Plant Production			
ORIGINATOR		**ORIGINATING PROVIDER**		
SGB Primary Agriculture				
QUALITY ASSURING BODY				
AgriSETA - Agriculture SETA				
QUALIFICATION TYPE	**FIELD**		**SUBFIELD**	

National Certificate	Field 01 - Agriculture and Nature Conservation		Primary Agriculture	
ABET BAND	**MINIMUM CREDITS**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**QUAL CLASS**
Undefined	120	Level 3	NQF Level 03	Regular-Unit Stds Based
REGISTRATION STATUS		**SAQA DECISION NUMBER**	**REGISTRATION START DATE**	**REGISTRATION END DATE**
Reregistered		SAQA 0695/12	2012-07-01	2015-06-30
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2016-06-30		2019-06-30		

National Certificate: Plant Production

SAQA QUAL ID	**QUALIFICATION TITLE**			
49009	National Certificate: Plant Production			
ORIGINATOR		**ORIGINATING PROVIDER**		
SGB Primary Agriculture				
QUALITY ASSURING BODY				
AgriSETA - Agriculture SETA				
QUALIFICATION TYPE	**FIELD**		**SUBFIELD**	
National Certificate	Field 01 - Agriculture and Nature Conservation		Primary Agriculture	
ABET BAND	**MINIMUM CREDITS**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**QUAL CLASS**
Undefined	142	Level 4	New Level Assignment Pend.	Regular-Unit Stds Based
REGISTRATION STATUS		**SAQA DECISION NUMBER**	**REGISTRATION START DATE**	**REGISTRATION END DATE**
Reregistered		SAQA 0695/12	2012-07-01	2015-06-30
LAST DATE FOR ENROLMENT		**LAST DATE FOR ACHIEVEMENT**		
2016-06-30		2019-06-30		

National Diploma: Plant Production

SAQA QUAL ID	**QUALIFICATION TITLE**			
49010	National Diploma: Plant Production			
ORIGINATOR		**ORIGINATING PROVIDER**		
SGB Primary Agriculture				
QUALITY ASSURING BODY				
AgriSETA - Agriculture SETA				
QUALIFICATION TYPE	**FIELD**		**SUBFIELD**	
National Diploma	Field 01 - Agriculture and Nature Conservation		Primary Agriculture	
ABET BAND	**MINIMUM CREDITS**	**PRE-2009 NQF LEVEL**	**NQF LEVEL**	**QUAL CLASS**
Undefined	240	Level 5	NQF Level 05	Regular-Unit Stds Based

REGISTRATION STATUS	SAQA DECISION NUMBER	REGISTRATION START DATE	REGISTRATION END DATE
Reregistered	SAQA 0695/12	2012-07-01	2015-06-30
LAST DATE FOR ENROLMENT	**LAST DATE FOR ACHIEVEMENT**		
2016-06-30	2020-06-30		

Learner Details

First name	
Surname	
ID number	
Telephone contact number	
Mobile phone contact number	
E-mail address	
Postal address	
Dates on which you completed this formative PoE guide	

Pre-Assessment Briefing Checklist

It is important that you discuss the following topics with the assessor before you start the assessment process.

In some cases the assessor might invite you to a pre-assessment briefing or meeting with a group of other learners. It is important that you attend this meeting and get information about all the points on the checklist below:

Pre-Assessment Briefing Checklist	☑	☒
Organise resources – people, equipment, venue, etc.		
Explain the purpose of the assessment		
Discuss the standards or criteria to be used		
Discuss assessment roles and accountabilities		
Decide on assessment venues		
Negotiate evidence required, and where or how this evidence may be gathered		
Explain the methods of assessment that will be used during the gathering and summing up of evidence		
Negotiate the date of submission for the portfolio of evidence and the date for the direct assessment		
Discuss resources required for the assessment e.g. equipment, materials, etc.		
Explain the procedure if learner is found to be not yet competent		
Explain the appeal and review procedures		
Identify any potential learning barriers and negotiate strategies to overcome these		
Complete and sign the assessment plan with the learner		

Learner Assessment Plan and Schedule

What?

What is it that I will be assessed in?	
What will be expected from me during assessment?	

Where?

Where will the assessment take place? (venue)	

Who?

Who is the assessor?	
How can I contact the assessor if something unforeseen happens?	

When?

On which date and at what time will the assessment take place or should my formative PoE be handed in?	

How?

How will I be assessed?	
What kinds of assessment instruments are included in this PoE?	

What do I need?

What kind of equipment, stationery and resources will I need during this assessment, and where can I get them?	

Who else may be involved?

Are there other people who need to be involved in this assessment process?	
Who are they?	
What are their roles?	

How will we know if the process is complete?

What will happen once we have completed this assessment process and the workbook has been handed in?	

What if?

What if I am not ready to be assessed?	
What if I have a special need e.g. a translator or I struggle to write?	
What if I get sick on the day of assessment?	
What if I am not happy with the assessor's decision?	

Assessment Feedback

1st assessment feedback will take place as follows:	Date	Time	Place
Re-assessment will take place as follows:	Date	Time	Place
What will be re-assessed			
Resources to bring for re-assessment:			
Other arrangements in terms of re-assessment:			
What will happen if you are still not declared competent after two assessments:			
2nd assessment feedback will take place as follows:	Date	Time	Place
Other administration to be completed and signed off:	Facilitation evaluation form	Assessment process evaluation form	Statement of results and declaration of competence
Date:			
Sundry information:			

Section 1 - Formative Assessment Activities

F116083.1 – Calculating Production Costs and Gross Margin

- ✓ **Group exercise (SO1AC108)**
- ✓ Time to spend on this activity: 30 minutes
- ✓ Form 4 groups. Do this by assigning everyone a number from 1 to 4. All the “ones” form one group, all the “twos” form the next group, all the “threes” form the third group and all the “fours” form the fourth group.
- ✓ When you are in your groups, elect one person to be the group’s scribe (the person who will write down the points of your discussion), elect one person to be the group’s time-keeper (this person reminds the group that they are running out of time for the exercise) and one person who will be the group’s reporter (the person who will explain your findings to the class).
- ✓ Answer the following questions and calculate the production costs and the gross margin of the following enterprise.

Broiler Production Enterprise

1. This farm produces sheep and broilers. Which of the following costs are directly allocatable to the broiler operation?

Day-old-chicks / gas (to heat broiler house) / ruminant antibiotic / ruminant wound spray / lucerne hay / sheep concentrate feed / poultry feeds (starter, grower and finisher) / poultry vitamins & electrolytes / ear tags / poultry MG medication (optional) / poultry Newcastle vaccine (optional) / poultry IB vaccine (optional) / poultry Gumboro vaccine (optional) / broad spectrum poultry antibiotic (optional) / water / poultry house disinfectant / phone / labour / shavings for floor litter / depreciation / repair & maintenance / car insurance / electricity

2. Calculate the **Production Costs** of the Broiler Enterprise of this farm which produces **500 broilers** in a 6 week cycle (The following costs are considered the directly allocatable costs of the broiler operation).

Costs per bird in Rand	
Feed cost	R 7.39
Day-old-chick cost	R 2.53
Gas cost	R 0.63
Vitamins & electrolytes	R 0.01
MG medication (optional)	R 0.15
Newcastle vaccine (optional)	R 0.04
IB vaccine (optional)	R 0.02
Gumboro vaccine (optional)	R 0.09
Broad spectrum antibiotic (opt)	R 0.04
Water and disinfectant	R 0.05
Phone	R 0.23
Labour	R 0.97
Shavings and collection	R 0.40
Depreciation, repair & maintenance.	R 0.52

3. How many birds could be marketed at the end of the production cycle if the total mortality was 3%?

4. If the farmer could obtain R 9.00 per kilogram live weight for his birds and each bird weighed 2.5kg at the end of the 6-week production cycle, what is the Gross Production Value of the Broiler Enterprise of this farm (taking the 3% mortality into consideration)?

5. Calculate the Gross margin of the Broiler Enterprise of this farm.

F116083.2 – Complete Income Statement Template

- ✓ **Group exercise (SO2AC201)**
- ✓ Time to spend on this activity: 1 hour
- ✓ Provided with the following information complete the empty Income Statement provided:
  - James sold 25 bags of potatoes at R 20 each and 50 bags of mealies at R 50 each
  - James sold 6 goats @ R 530 each, 2 sheep @ R 400 and 25 chickens @ R 35 each
  - James sold 20 litres of milk a day during the 250day milking cycle for R 3.00 per litre
  - James rented out one of his paddocks for R 200 per month
  - James used 10 chickens, 2 goats and a sheep for his household during the year
  - He used 10 bags of maize as supplementary feed for his cattle
  - James had 100 bags of maize in storage at the beginning of the year
  - James had 20 goats, 40 chickens, 5 cattle (worth R 2300 each) and 10 sheep at the beginning of the year
  - James bought 2 new cows during the year for R 3500 each
  - James bought maize and seed potatoes for next year for R 150 and R 200 respectively
  - He did not buy fertiliser but makes his own compost from his livestock manure
  - James purchased ear-tags for each of his animals at the beginning of the year at R 2.50 per ear tag (37 animals in total)
  - All James' animals graze communally but he supplements his cattle with some maize in the evenings.
  - James pays a herd boy R 70 per week for 40 weeks per year
  - James also gives his herd boy 2 litres of milk per week for the entire 35-week milking cycle
  - James made 7 phone calls in order to sell his livestock this year (@ R 4.50 per call)
  - James made 2 phone calls to find a buyer for his potatoes and maize (@ R 4.50 per call)

- James distributed 200 pamphlets in his village to advertise his daily fresh milk. The photocopying cost him R 0.50c per page.
- Veterinary medicines cost James R 7.50 per animal per year (37 animals in total)
- All James' milk clients bring their own buckets to fetch their milk daily
- James pays himself a salary of R 500 per month for milking in particular
- James works as a truck driver part-time and earns R 350 per day every Saturday and Sunday of the year (52 weeks)
- Ten does had twins (worth R 250 each), 2 ewes had singles (worth R 200 each), 40 chicks were born (worth R 5 each) and 5 cows each had a calf (worth R 400 each)

✓ **Using this information complete the Income Statement template below:**

No.	Description		Crops	Livestock	Livestock products	Other farm income	TOTAL
1	Sales	Cash					
2		Credit					
3		Account					
4		Other					
5	**TOTAL SALES**						
6	Consumption	Household					
7		Labour					
8		Internal					
9	**TOTAL CONSUMPTION**						
10	**Stock adjustment**						
11	Closing stock						
12	Minus opening stock						
13	Minus purchases						
14	Total stock adjustment						
15	**Total Gross Production Value (GPV)**						
16	**Minus: Production, marketing and administration costs**						
17	(i) Production inputs	Seed					
18		Fertiliser					
19		Fuel and Lubricants					
20		Crop chemicals					
21		Livestock feed					
22		Supplies					
23		Other					
24	(ii) Labour costs	Wages and rations					
25		Wages owing					
26		Farm Produce consumed					
27		Other					
28	(iii) Depreciation	Fixed improvements					

29		Machinery and equipment					
30	(iv) Repairs and maintenance	Fixed improvements					
31		Machinery and equipment					
32	(v) Other expenses	Veterinary, medicine and A.I.					
33		Transport and contract work					
34		Marketing costs					
35		Packaging and storage					
36		Licenses and insurance					
37		Electricity and water					
38		Telephone , postage and stationery					
39		Salaries					
40		Other					
41	**Total production, marketing and administration costs**						
42	**NET FARM INCOME (NFI)**						
43	Minus	Compulsory compensation of capital					
44		Interest					
45		Rent					
46		Share-cropping					
47	**TOTAL COMPULSORY COMPENSATION OF CAPITAL**						
48	**NET FARM PROFIT (NFP)**						
49	Plus	Non-farm income					
50		Capital appreciation					
51		Capital profits					
52		Own capital inflow					
53	Minus	Capital losses					
54		Own capital outflow					
55		Dividends/Profits					
56		Income tax provision					
57		Farm produce consumed					
58	**GROWTH IN NET WORTH**						

F116083.3 – Managerial Information

- ✓ **Group exercise (SO2AC203)**
- ✓ Time to spend on this activity: 30 minutes

- ✓ Form 4 groups. Do this by assigning everyone a number from 1 to 4. All the "ones" form one group, all the "twos" form the next group, all the "threes" form the third group and all the "fours" form the fourth group.
- ✓ When you are in your groups, elect one person to be the group's scribe (the person who will write down the points of your discussion), elect one person to be the group's time-keeper (this person reminds the group that they are running out of time for the exercise) and one person who will be the group's reporter (the person who will explain your findings to the class).
- ✓ In your groups discuss James' farming operation. Capture the results of your discussion in the space provided below. The types of questions you could ask yourself are:
  - Where can James reduce his farm expenses?
  - Which enterprise brought him his most income (and subsequently profits)?
  - Could you advise James to reduce one farming enterprise (which is less profitable) and concentrate more of his efforts on another (more profitable) farming enterprise?

- ✓ Two groups will be asked to share their results with the rest of the class.

F116083.4 – Complete Balance Sheet

- ✓ **Group exercise (SO3AC308)**
- ✓ Time to spend on this activity: 30 minutes
- ✓ Form 4 groups. Do this by assigning everyone a number from 1 to 4. All the "ones" form one group, all the "twos" form the next group, all the "threes" form the third group and all the "fours" form the fourth group.
- ✓ When you are in your groups, elect one person to be the group's scribe (the person who will write down the points of your discussion), elect one person to be the group's time-keeper (this person reminds the group that they are running out of time for the exercise) and one person who will be the group's reporter (the person who will explain your findings to the class).
- ✓ In your groups, use the following information to complete the traditional Balance Sheet template below:

- James borrowed R 10 000 from the bank at the beginning of 2006, he paid off R 4 000 of this loan during the year.
- James owes his neighbour R 700 for a cow that was killed by his dog (This incident occurred in February 2007)
- James pays R 700 per month hire purchase on his vehicle (He still owes R 13 400 for this vehicle)
- James pays R 1 500 per month on his bond repayments per month (He still owes R 23 000 for his house)
- In the beginning of 2006 James owned 25 goats (worth R 530 each), 17 sheep (worth R 400 each), 7 cattle (worth R 3 000 each) and 300 egg-laying pullets (chickens) (worth R 32 each) (All these animals can be considered as Breeding stock)
- During 2006 20 does had twins (worth R 200 each), 10 ewes had singles (worth R 150 each), 5 cattle had calves (worth R 700 each) (All progeny can be considered marketable livestock)
- James owns a hire-purchased vehicle (worth R 20 000) and a tractor (worth R 14 000)
- He has built his house on land that he inherited (and for which he has title). The house is worth R 56 000 and the land is worth R 230 000.
- In 2007 James decided to retain half of all his progeny to grow his flock, the rest of the progeny from 2006 was sold.
- During 2007 25 does had twins (worth R 210 each), 10 ewes had twins (worth R 160 each), 5 cattle had calves (worth R 800 each) (All progeny can be considered marketable livestock)
- The value of land escalated by 20% from 2006 to 2007

LIABILITIES	01/03/2006	01/03/2007	ASSETS	01/03/2006	01/03/2007
CURRENT LIABILITIES			**CURRENT ASSETS**		
Bank(s)			Cash on hand/in bank		
Co-operative(s)			Debtors		
Creditors			Prepaid expenses		
Income tax			Life assurance		
Bills payable			Negotiable securities		
Current portion of term commitments:			Stock:		
Term loans			Crops and crop products		
instalment sale payments			Livestock products		
lease payments			Production inputs		
Bond repayments			Marketable livestock		
Agricultural Credit Board			Other		
Long-term loans					
Other loans					
Other					
TOTAL CURRENT LIABILITIES (A)			**TOTAL CURRENT ASSETS (D)**		
MEDIUM TERM LIABILITIES			**MEDIUM TERM ASSETS**		
Term loans			Breeding stock		
Instalment sale credit			Vehicles, Machinery and equipment		
leases			Other		

Other					
TOTAL MEDIUM TERM LIABILITIES (B)			**TOTAL MEDIUM TERM ASSETS (E)**		
LONG TERM LIABILITIES			**FIXED ASSETS**		
Bonds			Fixed improvements		
Agricultural Credit Board			Land		
Long-term loans			Other		
Other					
TOTAL LONG TERM LIABILITIES (C)			**TOTAL FIXED ASSETS (F)**		
TOTAL LIABILITIES (A + B + C) = (J)			**TOTAL ASSETS (D + E + F) = (G)**		
NET WORTH (G-J) = (K)	(a)	(b)			
TOTAL (C + J)			**VALUE OF RENTED LAND (H)**		
GROWTH IN NET WORTH (K(b) - K(a))			**TOTAL CAPITAL EMPLOYED (G + H)**		

F116083.5 – Complete Cash Flow Template

✓ **Group exercise (SO4AC402)**

✓ Time to spend on this activity: 30 minutes

✓ Form 4 groups. Do this by assigning everyone a number from 1 to 4. All the "ones" form one group, all the "twos" form the next group, all the "threes" form the third group and all the "fours" form the fourth group.

✓ When you are in your groups, elect one person to be the group's scribe (the person who will write down the points of your discussion), elect one person to be the group's time-keeper (this person reminds the group that they are running out of time for the exercise) and one person who will be the group's reporter (the person who will explain your findings to the class).

✓ In your groups, use the following information to complete the cash flow statement provided below:

- Maize is harvested in January and 1 000 bags of maize are sold for R 65 a bag in February
- 50 Weaner lambs (35kg live weight) are sold in November and another 50 are sold in July (@ R17/kg live weight)
- 1000 broilers are sold in February, April, June, August, October and December (@ R 35 each)
- 1 ton of fertiliser is bought in June (@ R 5 000) but the account with the supplier is paid off at R 500 per month
- Maize seed is purchased for R 700 in July
- Insecticide is purchased every two months from August until January at R 2 300 per month
- 3 tons of animal feed supplement per month are bought in the winter months (June, July, August, September) @ R 1 200 per ton
- Each month of the year R 125 is used for veterinary expenses
- The costs of transporting the weaner lambs to market amounts to R 760 each time

- There are 5 labourers who each earn R 1200 per month
- The farmer loans R 40 000 from the bank to fix the boreholes and fences on his farm. The interest rate is 10% and he pays back his loan over 3 years, starting in March. Thus, he pays back R 1111 capital per month, plus R 111 interest per month.
- The farmer buys a new tractor in May. It costs R 30 000 which he pays off in instalments of R 400 per month. The interest amounts to R 82 per month
- The farmer sells an old water pump for R 6000 in August and an old bakkie in October for R 15 000
- The farmer's wife receives a state pension of R 760 per month.
- The farmer pays himself a salary of R 5000 per month
- Assume that the bank balance is 0 at the beginning of the year

✓ During this exercise pay particular attention to the following issues:

- In this example the cash flow analysis is done over an entire one year period? However, a cash flow budget (see below) can be done for one month, one year or longer.
- Do you see that information is entered into the cash flow spreadsheet in the month in which the expense is incurred or the income is earned? The total expense or total income for an item is then added for the entire year period and is entered under “Total”.
- Can you transfer the month-end bank balance to the next month’s opening balance? In this example the bank balance is positive for most months of the year (except the first month), thus, no interest will be charged on an overdrawn account (or overdraft facility). If the bank balance is negative, the interest applicable to the farm business’ bank overdraft is added to calculate the closing balance and this balance is transferred to the opening balance of the next month.
- On which 3 items is interest charged? In this scenario which item does not accrue any interest? (See point above) In this example all interest repayments are provided for you.
- Is the cash flow of this farmer healthy or unhealthy? What other information can you obtain from this cash flow statement? Was it really necessary for the farmer to obtain a loan from the bank to fix his boreholes and fencing? Why do you think he did this?
- Can you see how the cash-flow statement links up with the income statement? The “totals’ for items are transferred to the relevant spaces on the income statement (keeping in mind the financial year ends and beginnings)

Cash Flow for a Farm

Item	Total	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Farm Income													
Crop Sales													
Livestock Sales													
Poultry Sales													
Other Sales													
Total Farm Income													

Farm Expense													
Fertiliser													
Seed													
Insecticides													
Herbicides													
Feed													
Veterinarian Services													

Marketing Expense													
Wages													
Other Expense													
Total Farm Expense													

Net Cash from Farming													

Cash from Financing

Money Borrowed													
Principal Repaid													
Interest Repaid													

Cash from Capital

Assets Purchased													
Assets Sold													

Other Cash Items

Pension Income													
Remittances													

Salaries													
Family Living Expense													
Total Cash Outflow													
Total Cash Inflow													
Balance/Surplus **Bank balance**													
Opening balance													
New balance													
Interest													
Closing balance													

Section 2 - Summative Assessment

Knowledge Questionnaire

1. AC101: Fixed costs are those costs that are constant and fixed although their value may change over time. **True/False**

C/NYC

2. AC102: Variable costs are those costs in business that vary from time to time. **True/False**

C/NYC

3. AC103: Name two examples of farm income sources in a citrus farming operation.

C/NYC

4. AC106: Suppose you are producing oranges on your farm, name two examples of direct costs and two examples of indirect costs.

Direct costs:
Indirect Costs:
C/NYC

5. AC108: Mr. Mazaleni owns a broiler production farm which produces 1000 broilers per production cycle. Calculate the production costs for a broiler production farm using the following directly allocatable costs:

	COST PER BIRD IN RAND
Feed cost	**R8-00**
Day-old-chick cost	**R2-50**
Gas cost	**R1-00**
Vitamins and electrolytes	**R0-01**
Medication	**R2-00**
Water and disinfectant	**R0-05**
Phone	**R0-50**
Labour	**R1-00**
Shavings and collection	**R0-50**
Depreciation, repair and maintenance	**R0-50**
CALCULATE THE TOTAL	

6. AC108: Mr. Mazaleni sells his birds after 6 weeks, at 2.5 kg live weight for a price of R10.00 per kg live weight. By the end of each production cycle, Mr Mazaleni loses 3% of his birds through death.

QUESTIONS	ANSWERS
Calculate the mortality rate on this farm. How many birds will be ready for sale at the end of the production cycle?	
Calculate the total income form this farm	
Calculate the Gross margin of this broiler farm	

7. AC301: A balance sheet is a financial statement which reflects the financial position of a farm business at a specific date. **True/false**

C/NYC

8. AC301: Complete the following balance sheet using the information provide below

- Mr. Mazaleni owns the land which as a value of R1 000 000
- The value of his buildings on this land is R500 000
- Mr. Mazaleni has a cash balance at the bank of R20 000
- His tools have been valued at R10 000
- His implements are valued at R200 000
- His inventories are valued at R8 000
- Mr. Mazaleni has a bank loan balance of R 120 000
- His outstanding accounts amount to R 15 000
- His bank overdraft is R40 000

BALANCE SHEET FOR MR. MAZALENI'S BEEF FARM AS AT 30 JUNE 2015	
Assets	**Value in Rand**
Cash in the bank	
Land and buildings	
Tools	
Inventories	
Implements	
TOTAL ASSETS	

9. AC302: Give **two** examples of liabilities in farming

C/NYC

10. AC305: Give **two** examples of fixed assets in farming

C/NYC

11. AC404: Name **three** important elements of a cash flow

C/NYC

12. AC409: Name **two** advantages of a cash flow budget

C/NYC

13. AC501: Give **two** examples of important government acts or laws that are applicable to a farming business

C/NYC

14. AC502: Income tax is a tax levied on the financial income of people, corporations, or other entities such as closed corporations. **True/false**

C/NYC

15. AC503: Value added tax (VAT), or goods and services tax (GST), is a consumption tax levied on value added. **True/false**

C/NYC

16. AC504: Who can claim the worker's compensation? Name **two** examples.

C/NYC

17. AC505: Name **one** benefit of Skills Development Act in Agriculture

C/NYC

18. AC302: List two tips or important things that must be considered when one enters into a contractual agreement.

19. AC304: Personnel evaluation should be done in the workplace in the manner that will grow the employee instead of demoralizing that particular individual. True or False

20. AC401: Give three examples of health and safety hazards that can occur in a farming environment.

21. AC402: Safety signs are not important in the workplace if you employ clever employees. True or False

22. AC403: Discuss the importance of periodical checking of safety equipment in the workplace.

23. AC404: List three sources of contamination of milk.

24. AC404: Discuss the requirements for quality of eggs and milk.

Section 3 – Marking Matrix

Unit Standard	SO / AC	Specific Outcome / Assessment Criteria	Met Requirements? Y / N	Feedback and Comments
116083	SO1	Define and understand the gross margin statement and distinguish between direct and indirect costs, as well as fixed and variable costs.		
116083	AC101	The ability is demonstrated to explain and define fixed and variable costs.		
116083	AC102	The ability is demonstrated to identify and quantify the fixed and variable costs.		
116083	AC103	The ability is demonstrated to identify and explain the various income sources.		
116083	AC104	The ability is demonstrated to list and quantify the various income sources.		
116083	AC105	Material cost, labour cost and overhead costs are defined and explained.		
116083	AC106	All possible material costs, labour, direct and indirect costs for a specific agri-business are listed.		
116083	AC107	An understanding of the gross margin concept and its application within agriculture is demonstrated.		
116083	AC108	The ability to complete a template, show and calculate the production costs and gross margin is demonstrated.		
116083	SO2	Define and understand the income statement.		
116083	AC201	An ability is demonstrated to understand, distinguish between and quantify all possible fixed and variable costs such as marketing, personnel and admin costs, as well as foreign factors costs.		

116083	AC202	The ability to provide inputs to an income statement, which reflects production costs, income, foreign cost and profits or losses, is demonstrated.		
116083	AC203	The ability to generate managerial information from the income statement is demonstrated.		
116083	SO3	Define and understand the balance sheet.		
116083	AC301	An ability is demonstrated to identify and quantify the components of short-term assets.		
116083	AC302	An ability is demonstrated to identify and quantify the components of short-term liabilities.		
116083	AC303	An ability is demonstrated to identify and quantify the components of medium term assets.		
116083	AC304	An ability is demonstrated to identify and quantify the components of medium term liabilities.		
116083	AC305	An ability is demonstrated to identify and quantify the components of long-term assets.		
116083	AC306	An ability is demonstrated to identify and quantify the components of long-term liabilities.		
116083	AC307	An understanding of owner's equity and what it consists of is demonstrated.		
116083	AC308	The ability to complete a balance sheet when the template is given is demonstrated.		
116083	SO4	Define and understand the structure of a cash-flow budget and statement.		
116083	AC401	The ability to source various financial data for the cash-flow budget and statement is demonstrated.		

116083	AC402	The ability to fill in the template of a cash flow budget and/or statement is demonstrated.		
116083	AC403	An understanding of the need for a twelve-month budget is demonstrated.		
116083	AC404	An understanding of the various components of a cash flow budget and statement is demonstrated.		
116083	AC405	The ability to transfer the month-end balance to the next month's opening balance is demonstrated.		
116083	AC406	An understanding of the influence interest rates on the budget and statement is demonstrated.		
116083	AC407	The ability to interpret basic results of the budget and statement is demonstrated.		
116083	AC408	An understanding of how the cash-flow budget/statement links up with the income statement is demonstrated.		
116083	AC409	An understanding and ability to use the cash-flow budget in a cash-flow statement is demonstrated.		
116083	SO5	Demonstrate an understanding of the legal responsibilities of an agri-business owner.		
116083	AC501	An understanding of the legal environment in which the agribusiness operates is demonstrated.		
116083	AC502	An understanding of what income tax is and why it should be incorporated within the planning process is demonstrated.		
116083	AC503	An understanding of what value-added tax is and why it should be incorporated within the planning process is demonstrated.		
116083	AC504	An understanding of what workman's compensation is and why it should be incorporated within the planning process is demonstrated.		

116083	AC505	An understanding of what skills levy payments is and why it should be incorporated within the planning process is demonstrated.		
116083	eek5	xxx	???	
116083	eek6	xxx	???	
116083	ccfo2	Teamwork	???	
116083	ccfo4	Information evaluation	???	
116083	ccfo7	Inter-relatedness of systems	???	
116083	ccfo8	Self-development	???	
Feedback to learner:				
Feedback from learner:				