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Support Pack | Grade 12



Module 8 Units 3 – 4

Agricultural Sciences

Agricultural production factors

This support pack for the **Agricultural production factors** module in the **Agricultural Sciences Grade 12 CAPS curriculum** provides valuable revision activities. All activities have the answers provided. Learners can work through these individually at home or these could form the basis of a catch-up class or online lesson. You have permission to print or photocopy this document or distribute it electronically via email or WhatsApp.

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Module 8 – Agricultural production factors

Unit 3 Capital

Short questions

1. Various possible answers are provided for the following questions. Write only the correct letter (A–D) next to the question number.
 - 1.1 occurs when too much capital is invested in a farming enterprise in relation to the available land and labour.
 - A Overcapitalisation
 - B Farm capitalisation
 - C Undercapitalisation
 - D Natural capitalisation
 - 1.2 Money borrowed from a bank for a period of 50 years to buy land, is called
 - A long-term credit
 - B working capital
 - C fixed capital
 - D medium-term credit
 - 1.3 An example of fixed capital is
 - A feed
 - B livestock
 - C water
 - D a shed
 - 1.4 A farmer can decrease the risk of his income by the entire farming enterprise.
 - A insuring
 - B selling
 - C pawning
 - D repairing
 - 1.5 A(n) is a budget drawn up by the farmer for the operation of the farm for a specific period of time.
 - A cash flow statement
 - B farm asset record
 - C enterprise budget
 - D whole farm budget
2. Supply ONE word/term for each of the following descriptions. Write only the word/term next to the question number.
 - 2.1 Physical items of economic value, which could be converted into cash if they were sold by the farmer
 - 2.2 Money that comes into and goes out of the farmer's bank account
 - 2.3 Calculations or predictions of income and expenditure
 - 2.4 The capital that is used to pay wages, buy livestock, seed and fertilisers
 - 2.5 A type of capital that does not change when goods are produced
 - 2.6 A sum of money provided for a specific purpose, usually by the government
 - 2.7 A source of capital resulting from farming profits that have been allowed to accumulate in a bank
3. Match the correct statements in column B with each aspect of a financial system in column A.

5 × 2 (10)

7 × 2 (14)

Column A		Column B	
3.1	Cash flow statement	A	System of financial record keeping for all aspects of a business
3.2	Enterprise budget	B	Spreadsheet drawn up by the farmer for the operation of the farm

Column A		Column B	
3.3	Farm asset records	C	Money going into and out of the business
3.4	Financial records	D	List of all land and machinery and other items of monetary value
3.5	Insolvency	E	Bankruptcy
3.6	Whole farm budget	F	Listing of all estimated income and expenses

6 × 2 (12)

Longer questions

4. A possible buyer is interested in buying a farm. Indicate the following with regard to his transaction:
 - 4.1 The type and duration of credit needed to buy this farm. (2)
 - 4.2 A possible source of this type of credit. (1)
 - 4.3 The aspect related to credit that makes this loan expensive. (1)
5. Capital refers to the finances needed to own and operate a farm business. The farmer needs to keep financial records of assets in order to manage the capital of the farm business effectively.
 - 5.1 Briefly explain the importance of keeping financial records for planning purposes. (2)
 - 5.2 Describe TWO implications of overcapitalising a farm. (2)
 - 5.3 When you apply for capital from a bank, your farm assets are used as collateral. Justify this statement. (2)
6. The tables below represent the financial statements of two farmers involved in egg production.

Farmer A			
Expenditure item	Expenses (rands)	Income item	Income (rands)
Cost price of layers	13 500	Eggs	25 200
Feed	9 500	Sales of layers	6 700
Electricity, water and wages	6 000	Sales of manure	5 400
Gas for heating	400		
Egg trays	2 100		
Veterinary care	1 200		
Maintenance	800		
Total:		Total:	

Farmer B			
Expenditure item	Expenses (rands)	Income item	Income (rands)
Cost price of layers	13 500	Eggs	25 500
Feed	9 500	Sales of layers	6 700
Electricity, water and wages	6 000		
Gas for heating	400		
Egg trays	2 100		
Veterinary care	1 200		
Maintenance	800		
Total:		Total:	

- 6.1 Calculate the net profit of farmers A and B. (4)
- 6.2 Identify the most successful farmer based on your calculations and give a reason for your answer. (2)
- 6.3 Describe THREE components of a cash flow budget as represented in the data. (3)

Unit 4 Management

Short questions

1. Various possible answers are provided for the following questions. Write only the correct letter (A–D) next to the question number.

1.1 Examples of risk-sharing strategies are:

- i) insuring against risk
- ii) diversification
- iii) specialisation
- iv) mechanisation

Which ONE of the following combinations is correct?

- A (i) and (ii)
- B (i) only
- C (ii), (iii) and (iv)
- D (i), (ii) and (iv)

1.2 Farmers in a rural area of the country lost stock through theft. This had a direct influence on the of their farming enterprises.

- A labourers
- B pasture evaluation
- C health programme
- D risk management

1.3 Examples of external forces affecting businesses are:

- i) economical forces
- ii) political forces
- iii) ethical forces
- iv) social forces

Which ONE of the following combinations is correct?

- A (i), (ii) and (iii)
- B (i), (ii), (iii) and (iv)
- C (ii), (iii) and (iv)
- D (i), (ii) and (iv)

3 × 2 (6)

2. Give one term or phrase for each of the following descriptions. Write only the term or phrase next to the question number.

2.1 The long-term aim of the farming business that is set up during a strategic planning session

2.2 Various strategies and methods that are put in place to make and keep a farm productive and profitable

2.3 The farmer uses this to recognise and deal with risk before it becomes a problem.

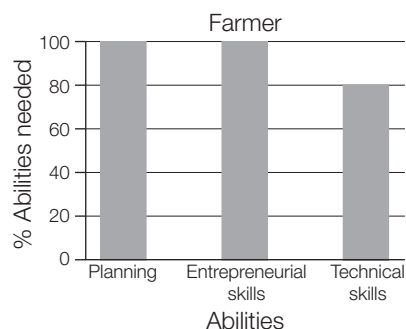
2.4 The farmer's ability to pay the farm's cash obligations on time

2.5 A strategy by which the farmer can spread his or her investment over several enterprises

5 × 2 (10)

Longer questions

3. The skills of a farmer and a farm worker are illustrated in the graphs below.



- 3.1 In a table, compare the skills of the farmer with the skills of the farm worker. (6)
- 3.2 Name any THREE management skills that are also very important for a farmer. (3)

Memorandum

Unit 3

Short questions

- | | | | | | | |
|-------------------|--------------------------------|-------------------|----------------------------|--------------------------|--------------|------|
| 1.1 A | 1.2 A | 1.3 D | 1.4 A | 1.5 D | | (10) |
| 2.1 Assets | 2.2 Cash flow | 2.3 Budget | 2.4 Working capital | 2.5 Fixed capital | | |
| 2.6 Grant | 2.7 Own capital/savings | | | | | (14) |
| 3.1 C | 3.2 F | 3.3 D | 3.4 A | 3.5 E | 3.6 B | (12) |

Longer questions

- 4.1** Long-term credit, more than 10 years (2)
- 4.2** Land bank/commercial bank (1)
- 4.3** High interest (1)
- 5.1** Financial record keeping allows the farmer to analyse past and present (current) performance of the business and allows the farmer to plan the future of the business. (2)
- 5.2** Implications of overcapitalising:
- When too much money is borrowed to invest in farming, a high interest rate may make the farm unprofitable.
 - Additional capital is not fully utilised, as a result there is no value for money. (2)
- 5.3** The bank will only give credit when there is security, hence farm assets will be used as security. (2)
- 6.1**
- Farmer A profit = income – expenditure
 = R37 300 – R33 500
 = R3 800
- Farmer B profit = income – expenditure
 = R32 200 – R33 500
 = –R1 300
- 6.2** Farmer A, made a profit (2)
- 6.3** Components of a cash flow budget:
- Income, e.g. sales of livestock
 - Expenditure, e.g. layers, feed, electricity, gas, egg trays, veterinary care, maintenance
 - Profit – gain or loss (3)

Unit 4

Short questions

- $$\begin{array}{lll}
 \mathbf{1.1} \text{ B} & \mathbf{1.2} \text{ D} & \mathbf{1.3} \text{ A} \\
 \mathbf{2.1} \text{ Vision} & \mathbf{2.2} \text{ Management} & \mathbf{2.3} \text{ Strategic risk management} \\
 \mathbf{2.4} \text{ Financial risk} & & \mathbf{2.5} \text{ Diversification}
 \end{array}
 \tag{6}$$

Longer questions

3.1

Abilities	Farmer	Farm worker
Planning	100%	50%
Entrepreneurial	100%	70%
Technical	80%	100%

(6)

3.2 Important management skills for a farmer (any three):

- Conceptual skills
- Analytical skills
- Problem-solving
- Organisational skills
- Identifying risks

(3)