



NQF Level: 2 US No: 116083

Assessment Guide

Primary Agriculture

The basic layout of financial statements



Assessor:

Workplace / Company:

Commodity: Date:

Before we start...

This assessment guide contains all necessary activities and instructions that will enable the assessor and learner to gather evidence of the learner's competence as required by the unit standard. This guide was designed to be used by a trained and accredited assessor whom is registered to assess this specific unit standard as per the requirements of the AgriSETA ETQA.

Prior to the delivery of the program the facilitator and assessor must familiarize themselves with content of this guide, as well as the content of the relevant Learner Workbook.

The assessor, facilitator and learner must plan the assessment process together, in order to offer the learner the maximum support, and the opportunity to reflect competence.

The policies and procedures that are required during the application of this assessment are available on the website of the AgriSETA and should be strictly adhered to. The assessor must familiarize him/herself with this document before proceeding.

This guide provides step-by-step instructions for the assessment process of:

Title:	Illustrate and understand the basic lay-out of financial statements
US No:	116083
NQF Level:	2
Credits:	2

This unit standard is one of the building blocks in the qualification listed below. Please mark the qualification you are currently assessing, because that will be determined by the context of application:

Title	ID Number	NQF Level	Credits	Mark
National Certificate in Animal Production	48976	2	120	<input type="checkbox"/>
National Certificate in Mixed Farming Systems	48977	2	120	<input type="checkbox"/>
National Certificate in Plant Production	48975	2	120	<input type="checkbox"/>

Please mark the learning program you are enrolled in:

Are you enrolled in a:	Y	N
Learnership?	<input type="checkbox"/>	<input type="checkbox"/>
Skills Program?	<input type="checkbox"/>	<input type="checkbox"/>
Short Course?	<input type="checkbox"/>	<input type="checkbox"/>

Note to Assessor:

If you are assessing this module as part of a full qualification or learnership, please ensure that you have familiarized yourself with the content of the qualification.

Instructions to learner:

Group Activity

Learner Guide: Page 12

Facilitator Guide: Page 11

1. Complete the template for Gross margin statement and explain what the following terms mean? Fixed, variable costs, sources of income, material costs, labour costs, direct and indirect costs.

Model Answer(s):

The example copy in the learners guide gives a good indication of what must be covered in the gross margin statement- the learner's gross margin statement will be unique to that enterprise but generic factors can be checked and questions can be asked for clarity. The way in which the learner filled out this statement will indicate an understanding around the related terminology.

- *Fixed costs- these are costs that continue even when production stopped.*
- *Indirect costs- these are costs that are essential to the daily running of the business.*
- *Variable costs- variable costs vary according to outputs.*
- *Direct costs- are those costs that are directly linked with the production of a crop.*
- *Income sources- this refers to the various obvious markets that you supply and also include by-products such as the sale of old bark mix for compost to home owners.*
- *Material costs-these are costs for things like fertilizer and sprays.*
- *Production costs- these entail all the costs involved to produce a crop ready for the market.*
- *Foreign factor costs- these are costs that are totally for unforeseen expenditures at the beginning of the production budget (e.g. a new levy for training or other government legislations).*
- *Labour costs- these are variable costs (e.g. labour and workmen's compensation UIF etc.).*

2. Explain why Gross margin statement is so important to agriculture?

Model Answer(s):

This gives an indication of what the business is capable of achieving and the impact it will have on non-production costs of the profit.

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Instructions to learner:

Group Activity

Learner Guide: Page 19

Facilitator Guide: Page 13

1. Demonstrate the ability to fill out an income statement using the information gathered during your learning experience combined with the results obtained from research done at the workplace that relates directly to your production cycle.
2. Refer to appendix u for a blank copy of the income statement
3. Identify which information, gained from the income statement would be valuable to management?

Model Answer(s):

1. *The example copy in the learners guide will provide a good indication of what must be recorded in the income statement. The learner's income statement will be unique to a specific enterprise but generic factors can be checked and questions can be asked for clarity. The way that the learner filled out this statement will indicate an understanding towards the related terminology.*
2. *Look for information on the following:*
 - *Net profit: Was it a profit or a loss?*
 - *How much of the gross profit was lost to other costs?*

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Instructions to learner:

Individual exercise.

Learner Guide: Page 27

Facilitator Guide: Page 15

1. Demonstrate the ability to complete the blank copy of the balance sheet. Refer to appendix v for a copy of a blank balance sheet.

Model Answer(s):

The example copy in the learners guide provides a good indication of what must be recorded in the balance sheet.

The learner's balance sheet will be unique to that enterprise but generic factors can be checked and questions can be asked for clarity.

The way that the learner filled out this sheet will indicate an understanding towards the related terminology.

2. Explain what is meant by short, medium and long term assets?

Model Answer(s):

Assets are economic resources that will provide potential service in the future.

- **Short-term assets** (current assets) are those assets that management could convert to cash within the year (e.g. cash, receivables, stock).
- **Medium term assets** (intermediate assets) that would take longer than a year but less than five years to convert to cash. In other words, investments that has a set time frame to them (e.g. policies, actual intellectual breeding stock and work that has value to be patented but takes time to convert to cash).
- **Long-term assets** (fixed assets) imply machinery, land, buildings, motor vehicles, computers, furniture and fixtures.

3. Explain what is meant by short, medium and long-term liabilities?

Model Answer(s):

Liabilities are obligations that the owner must pay to other parties such as creditors and employees.

- **Short-term liabilities (current liabilities)** imply the money that must be paid monthly (e.g. salaries and wages, taxes, short term loans, money owed to suppliers for goods and services rendered).
- **Medium term liabilities** imply the money owed to contract work carried out (research that does not have a specified time limit), and will be paid for when the project is completed.
- **Long-term liabilities** imply debts that must be paid over periods stretching from one to twenty years (e.g. long-term loans (mortgage from the land bank) bank bonds on land and infrastructure, machinery and seed).

4. Explain what is meant by owner's equity?

Model Answer(s):

Owner's equity is the amount owed to the owner after the liabilities have been subtracted.

(If the owner of a farm is worth R30 000 000 and owes the bank R20 000 000, then one must subtract the amount owed to the bank from the owner's worthiness. The difference will be the owners equity, in this case R10 000 000.

Instructions to learner:

Group Activity

Learner Guide: Page 37 Facilitator Guide: Page 17

1. Demonstrate the ability to complete a blank cash flow budget and statement.

Model Answer(s):

The example copy in the learners guide provides a good indication of what must be recorded in the cash flow budget and statement.

The learner's cash flow budget and statement will be unique to that enterprise but generic factors can be checked and questions can be asked for clarity.

The way that the learner filled out this sheet will indicate an understanding towards the related terminology.

2. Refer to the learner guide for a copy of a blank cash flow budget and statement.

Model Answer(s):

The points of a budget must be explained as this budget allows a company to stay in control of its operations.

To succeed in this important task the budget is divided into monthly segments. The budget must also reveal the amounts of expenditure that will be needed in times when the farm have no income (seasonal crops) and clearly show the debt payments when the crop is sold.

It is a crucial part of management to control the cash flow.

The link that occurs between an income statement and the cash flow is that you can show a negative cash flow but have a positive income. (This is vital as it reveals your creditability when in need of money).

3. Explain the need for a twelve month cash flow budget?

Explain the effect of interest rates on the budget and cash flow statement?

Model Answer(s):

A twelve month cash flow budget will enable you to plan correctly and have cash on hand the whole year. At the end of the month, the unspent money will be carried over to the following month and at the end of the 12 month cycle; all the unspent money will be reflected in your balance statement.

See the example in the learners' guide where interest is added to the cumulative value of the monthly expenditure. The total amount of money will increase per month and any money that stands over from the previous month can be added to the money available for the following month. Unspent money at the end of the production cycle will be reflected as a profit in the balance statement.

4. Give us your understanding of the linkages between the income statement and the cash flow statement and any other important information that management could use?

Model Answer(s):

The income statement states the availability of income in a specific period to carry out activities. The income may be over a number of phases e.g. 3 monthly or twice a year, and the cash flow statement should be linked to the business' cash income to stipulate how much money is needed monthly.

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Instructions to learner:

Group Activity.

Learner Guide: Page 43

Facilitator Guide: Page 19

1. Summarize the necessity for legislation that covers every single aspect of agri-business (from the environment to labour relations)?

Model Answer(s):

- *There is this need to ensure the protection of our environment and stop the indiscriminate use of our natural resources.*
- *There is a need to protect and develop the people that work and live on farms.*
- *There is a need to protect our markets and trade*
- *There is a need to ensure that the very little viable land that we have in this country is looked after*
- *There is a need to protect the consumer's health (contaminated food or meat that may infect or threaten the health of the community).*

2. Give a brief understanding of the following and explain why you need to budget for these expenses?

- Income tax
- Value added tax
- Workman's compensation
- Skills levy payments and

Model Answer(s):

There is a need to ensure that a farm return some money to the development and up keep of the infrastructure that allows them to market their goods economically in South Africa.

- **Income tax:** *A tax levied by a government on the income of individuals and business firms. Taxes on personal income and business profits are major revenue sources for South Africa (discuss your personal feelings about taxes).*
- **Value added tax:** *it is the law of the country that tax must be included in the price of goods and services, commonly referred to as VAT-*
- **Workmen's compensation-** *this is an act that forces employers to insure their employees against disablement or death caused by accidents while they are on duty or illness caused as a result of the kind of work that they do.*
- **Skills levy payments:** *this is a levy imposed by the government on all businesses and government institutions in order to hasten training and development of skills in all areas of the workforce to ensure that South Africa becomes a competitor in world trading. Small enterprises with a turn over of less than R300 000 per year are not obliged to pay these levies. (Check with the Dept. of Labour if you need to pay a levy, since this might change with time).*

Summative Test and Attitude & Attribute Evaluation

Before the knowledge test is undertaken, the learner must be reminded of what is expected from him / her in terms of summative and reflexive competence. Read and explain to the learner, the **Preparation for Your Final Assessment** section in the learner workbook. Learners and assessor should sign off this section to acknowledge that this step was completed.

Please set up a knowledge test from the questions given as a guideline to learners and supply each learner with a test sheet.

Supply each report with the following heading:

Unit Standard:	116083	NQF Level:	2
Learner Name:			

Questions	Model Answers
1. Explain what the following terms mean. Fixed, variable costs, sources of income, material costs, labour costs, direct and indirect costs mean	<ul style="list-style-type: none"> • Fixed costs- these are costs that continue even when production stops.. • Indirect costs- these are costs that are essential to the daily running of the business. • Variable costs- variable costs vary according to outputs. • Direct costs- are those costs that are directly linked with the production of a crop-. • Income sources- this refers to the various obvious markets that you supply but also to by products like the sale of old bark mix for compost to home owners. • Material costs-these are costs for things like fertilizer and sprays. • Production costs- these entail all the costs involved to produce a crop ready for the market. • Foreign factor costs- these are costs that are totally unforeseen at the beginning of the production budget- these may be a new levy for training that the government has brought in. • Labour costs- these are variable costs, such as labour and the legislated costs like workmen's compensation UIF etc
2. Demonstrate the ability to fill out an income statement using the information gathered during your learning place experience and	<i>The example copy in the learners guide gives a good indication of what must be covered in the income statement- the learner's income statement will be unique to that enterprise but generic factors can be checked and</i>

Questions	Model Answers
workplace research that relates directly to your production cycle	<i>questions can be asked for clarity. The way that the learner filled out this statement will indicate an understanding around the related terminology.</i>
3. From the income statement identify what information would be valuable to management	<i>The learner's income statement will be unique to that enterprise but generic factors can be checked and questions can be asked for clarity.</i>
4. Explain what short, medium and long-term assets mean?	<p><i>Assets- are economic resources that will provide potential service in the future.</i></p> <ul style="list-style-type: none"> • Short-term assets-current assets- these are those assets that management could convert to cash within the year. (Cash, receivables, stock). • Medium term assets – intermediate assets that would take longer than a year but shorter than five years to convert to cash- investments that have a set time frame to them. - Policies or actual intellectual breeding stock- work that has value to be patented but takes time to convert to cash. • Long-term assets- fixed assets- plant and machinery- land, buildings, motor vehicles, computers, furniture and fixtures.
5. Explain what is meant by short, medium and long term liabilities	<p><i>Liabilities- are obligations that the owner must pay to other parties- such as creditors, employees.</i></p> <ul style="list-style-type: none"> • Short-term liabilities- current liabilities- these are amounts that must be paid within a year. - Salaries and wages, taxes, short-term loans, money owed to suppliers of goods and services. • Medium term liabilities- are amounts owed on contract work carried out on research that does not a specified time limit, but will be paid for when the project is complete. • Long-term liabilities- these are debts that come due beyond the time of one-year (long-term) loans (mortgage) from the land bank, bank bonds on land and infrastructure, machinery and plant that are being paid off over twenty years.
6. Explain the need for a twelve month cash flow budget	<ul style="list-style-type: none"> • <i>There needs to be explanation around the points that a budget allows a company to stay in control of its operations and to do this it needs to break the budget into monthly segments.</i> • <i>Also in agriculture there are times that there is no profit and large amounts of expenditure- this needs to be budgeted for.</i> • <i>Then the times when there are large volumes of cash flowing in it needs to be budgeted to pay off the rising debt. Thus is a crucial part of management to control</i>

Questions	Model Answers
	<p><i>the cash flow.</i></p> <ul style="list-style-type: none"> • <i>The link that occurs between the income statement and the cash flow is that you can be showing a negative cash flow but have a positive income. This is vital to show to the people that you owe money to.</i>
<p>7. Give a brief understanding why there is a need for legislation</p>	<ul style="list-style-type: none"> • <i>There is this need to ensure the protection of our environment and stop the indiscriminate use of our natural resources.</i> • <i>There is a need to protect and develop the people that work and live on farms.</i> • <i>There is a need to protect our markets and trade</i> • <i>There is a need to ensure that the very little viable land that we have in this country is looked after</i> • <i>There is a need to protect the consumer, for example if there is a disease with livestock it must not be allowed to infect or threaten the health of the community.</i>

My Notes ...

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Assessment Feedback Form

Comments / Remarks	
<p>Feedback to learner on assessment and / or overall recommendations and action plan for competence:</p>	
<p>Feedback from learner to assessor:</p>	
<p>Assessment Judgement You have been found:</p> <p><input type="radio"/> Competent</p> <p><input type="radio"/> Not yet competent in this unit standard</p>	<p>Actions to follow:</p> <p><input type="radio"/> Assessor report to ETQA</p> <p><input type="radio"/> Learner results and attendance certification issued</p>
<p>Learner's Signature:</p>	<p>Date:</p>
<p>Assessor's Signature:</p>	<p>Date:</p>
<p>Moderator's Signature:</p>	<p>Date:</p>