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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**2nd SEM. 2010/2011**

**PROGRAMME:** BSc. in Agricultural & BioSystems Engineering Year 2  
BSc. in Agricultural Economics and Agribusiness  
Management Year 2  
BSc. in Agricultural Education Year 2  
BSc. in Agronomy Year 2  
BSc. in Animal Science Year 2  
BSc. in Animal Science (Dairy option) Year 2  
BSc. in Horticulture Year 2

**COURSE CODE:** AEM 205

**TITLE OF PAPER:** FARM MANAGEMENT.

**TIME ALLOWED:** 2:00 HOURS

**INSTRUCTION:** ANSWER QUESTION 1 AND ANY OTHER TWO  
QUESTIONS FROM THE REMAINING  
THREE QUESTIONS.

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GRANTED BY THE CHIEF INVIGILATOR**

### QUESTION 1

Sindi Simelane had the following items for her maize farming business as at 31<sup>st</sup> December, 2010.

Current assets	E80, 000.00
Intermediate assets	E160.000.00
Fixed assets	E560, 000.00
Total assets	E800, 000.00
Current liabilities	E40, 000.00
Intermediate liabilities	E40, 000.00
Long term liabilities	E120, 000.00
Total liabilities	E200, 000.00
Networth	E600, 000.00
Total networth and liabilities	E800, 000.00

- Prepare a balance sheet for Sindi Simelane business. [12 marks]
- Conduct a test to show whether the business is solvent or not. [6 marks]
- Suppose you are a financial institution, conduct a test to show whether you would advance short term loan to the business.[6 marks ]
- What is liquidity? [5 marks]
- What is solvency? [5marks]
- Suppose in Sindi Simelane maize enterprise budget, the variable cost incurred is E10, 320.00 and the interest on variable cost is 10% for six months, calculate the total variable costs incurred by Sindi Simelane on her maize enterprise. [6 marks]

### QUESTION 2

- Give an accurate definition of an enterprise budget [5 marks]
- Is there any need for you as a farm management specialist to understand what budgeting is all about? (Pick either Yes or No)  
[2 marks]
- Justify your choice in question (b) above. [12 marks]
- Explain the two types of data needed in budgeting. [6 marks]
- Give an explanation on the two aspects of budgeting.[5]

### QUESTION 3

Farm management is a discipline which involves decision making and it uses a lot of economic principles.

- List and explain one economic principle that you will use in making decisions on:
  - Alternative ways of using resources
  - Factor –product relationship [17 marks]
- (i) Explain the term “diminishing returns” [6 marks]

- (ii) Do you think as a decision maker, diminishing returns can be avoided? [2 marks]
- (iii) Explain how diminishing returns can be avoided by a good decision maker. [5 marks]

**QUESTION 4**

- (i) What is farm planning? [2½ marks]
- (ii) Why is it important to understand farm planning as a farm management specialist? [2½ marks]
- (iii) Discuss the steps involved in making sound decisions in managing a farm. [21 marks]
- (iv) List the factors involved in the decision making environment. [4 marks]