2ND SEM. 2015/2016

UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc. in Agricultural Biosystem Engineering 2

B.Sc. in Agricultural Education & Extension 2

B.Sc. in Agricultural Economics and Agribusiness Management 2

B. Sc in Agronomy 2

B. Sc. In Animal Science 2

B. Sc in Animal Science –Dairy Management 2

B. Sc in Horticulture 2

COURSE CODE: AEM 205

TITLE OF PAPER: Farm Management

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1. ANSWER ALL QUESTIONS

2. EACH QUESTION CARRIES 25 MARKS

DONOT OPEN THIS PAPER UNTIL AN INSTRUCTION IS GIVEN BY THE CHIEF INVIGILATOR

QUESTION 1

Farm management's foundation is information acquisition and analysis for informed decision making. Management without accurate information is impossible and so is farm budgeting.

    A. A farm manager needs to develop tactical and strategic management skills. Distinguish between the two concepts and state how information is relevant to each? **[9marks]**

    B. Define partial budgeting and its importance as a relevant activity to farm business planning. **[9marks]**

    C. Using examples, discuss how partial budgeting is different from enterprise budgeting. **[8marks]**

[TOTAL = 25 marks]

QUESTION 2

Mr Tsela intends buying a farm from Mr Stenkamp which has the following in it;

    1. an old tractor with its implements bought in 2012,
    2. 20*50kg fertilizer bags of fertilizer,
    3. a 2*4 diesel bakkie with canopy,
    4. 100bales of hay, and
    5. a 4m*7m warehouse with fixtures/shelving.

A. Why is it important that Mr Tsela has the records of the farm prior to making his purchase decision? **[6marks]**

B. Advice Mr Tsela on how he can best value these items, stating which method is relevant to each item listed. **[6marks]**

C. Given that the tractor was bought at E250 000 in 2012 brand new, with a lifespan of 10years, salvage value of E40 000 and cost of capital is 8%. Use the double declining method to calculate present book value of the tractor by end of 2015. **[8marks]**

D. Given that the annual property taxes are E400 and insurance in E950, compute the total annual fixed costs of owning the tractor. **[5marks]**

[TOTAL = 25 marks]

QUESTON 3

Mr Stenkamp used his 100ha for yellow maize and Tsela intends replacing a portion of it with sorghum for an improved feed ration. Given that 1ha of yellow maize yields E300 profit and sorghum yields E500.

Sorghum	Yellow maize
0	100
20	85
40	65
60	45
80	25
100	0

A. What would be the profit maximizing combination Tsela should adopt in using the 100ha, explaining why this combination maximizes profit. **[15marks]**

B. Which combination will maximise profit if the returns from sorghum were E400. **[5marks]**

C. How can you describe the enterprise relationship between sorghum and yellow maize production? **[5marks]**

[TOTAL = 25 marks]

QUESTION 4

Given the farm information below;

Item	E
Inventory	5 000
Cash sales	10 000
Tractor	85 000
Buildings	70 000
Accounts receivables	15 000
Accounts payable	5 000
Net profit	35 000
Mortgage	120 000
Investments	25 000

A. Prepare a balance sheet   [7marks]
    a. Compute the current ratio   [5marks]
    b. Working capital ratio   [5marks]
    c. Net capital ratio   [5marks]
B. Define leverage and its implication of farm profits.   [3marks]

[TOTAL = 25marks]