

2<sup>nd</sup> SEM. 2018



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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness  
Management Year IV

COURSE CODE: AEM 408

TITLE OF PAPER: AGRIBUSINESS MANAGEMENT

TIME ALLOWED: 2:00 HOURS

INSTRUCTION: 1. ANSWER ALL FOUR QUESTIONS  
2. EACH QUESTION CARRIES 25 MARKS

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**Question 1**

What do you understand about the following statements in agribusiness management.

- Agribusiness involved both backward and forward linkages (5 marks)
- Management is both an art and science. (5 marks)
- Market positioning (5 marks)
- The concept of unlimited liability as it relates to sole proprietorships. (5 marks)
- For any business, the bottom line on the income statement is crucial. (5 marks)

**Question 2**

- Illustrate the process of supply chain management. (10 marks)
- Use the information in Table 1 and Table 2 to calculate and interpret any one profitability, solvency and efficiency ratio for STI. (15 marks)

**Table 1: Smiling Through Investment (STI) condensed balance sheet**

<b>Assets</b>		<b>Liabilities &amp; Equity</b>	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	171,000	Accounts payable	483,000
Account Receivable	698,000	Notes payable	565,000
Inventory	897,000	Total current liabilities	1,048,000
Total Current Assets	1,766,000		
Total Fixed Assets	2,482,000	Long-term liabilities	2,000,000
		Total Liabilities	3,048,000
		<b>Owner's Equity</b>	
		Owner's contribution	1,000,000
		Retained earnings	200,000
		Total owner's equity	1,200,000
<b>Total Assets</b>	<b>E4,248,000</b>	<b>Total liabilities &amp; Owner's Equity</b>	<b>E4,248,000</b>



**Table 2: Smiling Through Investment Condensed Income Statement**

Net Sales	5,215,000
Cost of Goods sold	3,285,450
<b>Gross Margin</b>	<b>1,929,550</b>
Operating expenses	1,202,423
Administrative expenses	320,646
Other expenses	80,161
<b>Total operating expenses</b>	<b>1,603,230</b>
<b>Net operating income</b>	<b>326,320</b>
Interest expense	152,400
<b>Net income before Tax</b>	<b>173,920</b>
Income tax	42,480
<b>Net income after Tax</b>	<b>E131,440</b>

**Question 3**

- Discuss any various factors external to an agribusiness firm which can affect the agribusiness manager's ability to achieve set objectives of the firm. (12 marks)
- Describe any 3 factors that an entrepreneur needs to consider when forming a business. Give examples. (6 marks)
- John is running his farming enterprise. He is considering purchasing a fertilizer applicator or expanding the grain storage. The fertilizer applicator is expected to bring E150,000 net income and E170,000 when expanding the grain storage. Help John decide on these 2 investment alternatives using the information in the table.

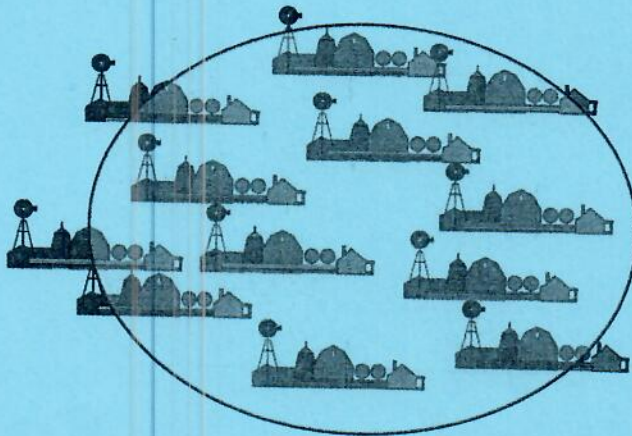
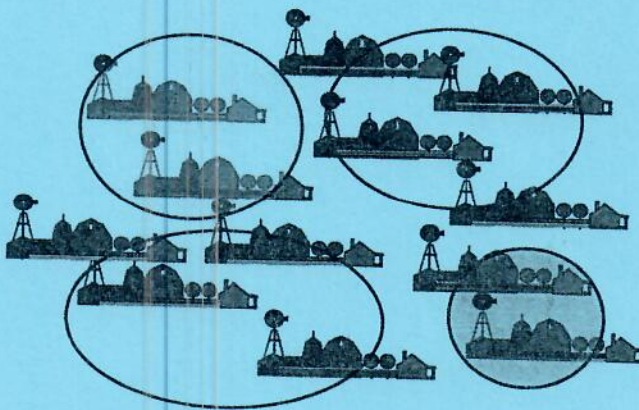
<b>Fertilizer applicator cash flows</b>			<b>Expansion of grain storage</b>	
<b>Year</b>	<b>Net Cash Flows before Depreciation</b>	<b>Depreciation</b>		
1	75,000	15,000	35,000	7500
2	70,000	15,000	35,000	7500
3	65,000	15,000	35,000	7500
4	54,000	15,000	35,000	7500
5	40,000	15,000	35,000	7500

Calculate the simple rate of return of the investment. (7 marks)



**Question 4**

- a. Why are capital investment choices so important to the agribusiness manager? Why are these decisions more complex than most operating decisions? (9 marks)
- b. Describe the following two pictures as explained in class. (10 marks)

**Figure 1****Figure 2**

- d. Explain any 3 benefits agribusinesses gain from operating in the international market. (6 marks)