



UNIVERSITY OF ESWATINI  
FINAL EXAMINATION PAPER

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

COURSE CODE: AEM103

TITLE OF PAPER: AGRIBUSINESS ACCOUNTING

TIME ALLOWED: 2: 00 HOURS

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

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CHIEF INVIGILATOR

### Question 1

- a. Balimi belubito cooperatives gave you the following information from their business for advice. You are required to calculate the **marginal cost per unit (MC)** to show **contribution per unit** and suggest the **sales mix** which will optimize profits for the cooperative. (15 marks)

	Cabbage (E)	Lettuce (E)
Direct material per unit	16	14
Direct wages paid	5	4
Variable expenses (wages)	5	4
Fixed expenses	1,300	1,300
Sales price per unit	32	26

**The sales-mix are as follows:**

- 400 units of Cabbages and 400 units of Lettuce
  - 500 units of Cabbages and 300 units of Lettuce
  - 600 units of Cabbages and 200 units of Lettuce
- b. Differentiate between accounting and book keeping (10 marks)

### Question 2

- a. Write short notes on the following:
- Materiality concept (5 marks)
  - Consistency concept (5 marks)
  - Conservatism principle (5 marks)
- b. Briefly explain any five advantages of budgeting. (10 marks)

### Question 3

- a. Briefly explain any 3 difficulties you learnt in class encountered during the implementation of agricultural accounting? Give practical examples. (15 marks)
- b. Use your own example (table format) to show how the 3 forms of business report owners' equity in the financial statements. (10 marks)



#### Question 4

The following are financial statements for Premium farming enterprise for 2016

##### Income statement of Premium farming enterprise ending 31 October 2016

ITEMS	AMOUNT (E)
Sales	5,500
Costs of goods sold	2,200
<b>Gross Profit</b>	<b>3,300</b>
Operating expenses	100
<b>Net income before tax</b>	<b>3,200</b>
Interest	375
Tax	(105)
<b>Net income after tax</b>	<b>3,470</b>

##### Balance sheet for Premium farming enterprise ending 31 October 2016

ITEMS	AMOUNT (E)	ITEMS	AMOUNT (E)
<b>Assets</b>		<b>Liabilities &amp; Equity</b>	
<b>Current assets</b>		Current Liabilities	
Cash	37,000	Accounts payable	1,000
		Mortgage payable	19,000
		Total Liabilities	20,000
<b>Fixed assets</b>		Owner's Equity	60,000
Land	10,000		
Building	25,000		
Equipment	8,000		
<b>Total fixed assets</b>	<b>43,000</b>		
<b>Total assets</b>	<b>80,000</b>	<b>Total liabilities + Owners equity</b>	<b>80,000</b>

- Calculate the Rate of Return on Investment and explain whether the value you obtained is good for the premium farming enterprise or not? (7 marks)
- Calculate the current ratio (5 marks)
- Explain the unlimited liability concept as it applies to a partnership business form. (3 marks)
- Explain why audits are useful to an agribusiness? (10 marks)