



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY**

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**THIRD YEAR SECOND SEMESTER EXAMINATION FOR THE
DEGREE OF
BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT
2020/2021 ACADEMIC YEAR**

REGULAR (*Special Examination*)

COURSE CODE: AAE 3427

COURSE TITLE: Farm Management

**EXAM VENUE: STREAM: BSC. (Agribusiness
Management; Agricultural & Extension Education; Horticulture; Animal Science)**

DATE:11/11/20

EXAM SESSION:7.00-10.00AM

TIME: 3 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 Questions in section B**
- 2. Candidates are advised to write on the text editor provided, or to write on a foolscap, scan and upload alongside the question**
- 3. Candidates must ensure they submit their work by clicking "finish and submit attempt" button at the end.**
- 4.**

SECTION A = 30 MARKS

Q1. A Farmer has the following information in an abbreviated Balance Sheet:

ASSETS (KES)		LIABILITIES (KES)	
Current Assets	= ?	Current Liabilities	= 50,000/=
Intermediate Assets	= 245,000/=	Intermediate Liabilities	= ?
Fixed Assets	= ?	Longterm Liabilities	= ?
		Networth	= ?
Total Assets	= 650,000/=	Total Liabilities + Networth	= ?

Additionally, the following information is given about the Farm: Current Ratio (CR) = 2; Net Capital Ration (NCR) = 4; and The Working Capital Ratio (WCR) = 3

- a) Fill in the missing values for the various Assets, Liabilities, and Networth. **(15 Marks).**
- b) Identify the strongest and weakest position of the Farm Balance sheet? **(3 Marks).**
- c) Would it be advisable for the Farmer to go for additional loan? **(2 Mark).**
- d) Define the following Farm Management terminologies*
 - i) Liquidation, ii) Debt Equity, iii) Fiscal Year, iv) Solvency, v) Variable expenses***@ 2 Mark each**

SECTION B = 40 MARKS

Q2. A farmer purchased a machinery for KES 375,000/= on 1st of October, 2016 with a salvage value of KES 25,250/= and a Useful life of 10 years. Use your knowledge of Depreciation as an expense in enterprise budgeting to compute the following:

- a) The Annual Depreciation for the three (3) mainstream depreciation methods for the first 5 years of the Machinery **(14 Marks).**
- b) The Book Value of the Machinery at the end of 4th Year under each method. **(2 Marks).**
- c) State and briefly explain any four (4) causes of Depreciation of an Asset. **(4 Marks).**

Q 3. The following information was given concerning SAFS Matunda Farm as at 31st December 2019:

S/No.	Item	VALUE/COST (KES)
1.	Interest paid	6000.00
2.	Net Farm income	86,000.00
3.	Total value of Assets	750,000.00
4.	Opportunity cost of Labour	3000.00
5.	Opportunity cost of Management	4000.00
6.	Opportunity cost of capital	9.5%
7.	Net Worth	350,000.00

Compute the rate of returns to the following productive resources:

- a) Rate of return to capital **(5 Marks).**
- b) Returns to Management **(5 Marks).**
- c) Returns to labour **(5 Marks).**
- d) Returns to Equity **(5 Marks).**

Q 4. As a separate discipline, agricultural economics started only in the beginning of 20th century when economic issues pertaining to agriculture aroused interest at several educational Centres in North America.

- a) In a historical perspective, discuss the nature and scope of Agricultural economics (6 Marks).
- b) Briefly describe the distinctive features of a depression period in an economy. (6 Marks).
- c) State and briefly explain any four reasons why there is need to study production economics (8 Marks)