



**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*)**

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**COURSE CODE: AAE 3427**

**COURSE TITLE: FARM MANAGEMENT**

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

**DATE: EXAM SESSION:**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer ALL questions in section A and ANY other 2 Questions in section B**
- 2. Candidates are advised not to write on question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

**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 1<sup>st</sup> 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 4<sup>th</sup> 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 31<sup>st</sup> 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 20<sup>th</sup> 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)