



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF AGRICULTURAL AND FOOD SCIENCES
UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN
AGRIBUSINESS MANAGEMENT
THIRD YEAR SECOND SEMESTER 2013/2014 ACADEMIC YEAR
REGULAR

COURSE CODE: AAE 3325

COURSE TITLE: Farming as a Business

EXAM VENUE:LR 7

STREAM: BSc (Agribusiness Management)

DATE:10/12/14

EXAM SESSION: 2.00 – 4.00 PM

TIME: 2.00 HOURS

Instructions:

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

Question 1.

A farmer is planning a Cross-breed Dairy goat rearing enterprise. It is assumed that a suitable structure, that is, a Zero-grazing unit which can accommodate a batch of 15 Weaners is available. Weaners are purchased and reared into Does and Bucks for meat and dairy purposes. It takes 4 months to rear a batch of Weaners. As soon as 1 batch is sold out, another batch is bought. Feed requirements for the batch increases as the Weaners grow.

The price of a Weaner is KES 3500/= and the average sale price for both Does and Bucks is KES 15000/= per goat. Feed costs in the first, second, third, and the fourth months are 500/=, 550, 650/=, and 800/= respectively.

- (a) Prepare a Complete Budget for the Cross-breed Dairy rearing enterprise. [25 marks]
 (b) What was the monthly cash deficit at the end of the 7th month (July)? [1 marks]
 (c) What was the cumulative balance at the end of the month of May? [1 marks]
 (d) What was the net gain or loss at the end of the year? Briefly explain your findings. [3 marks]

SECTION B [40 MARKS]

Question 2

Given the following information relating to a small Poultry Enterprise:

Year 2007.

May	1	Started farm with capital in cash of KES 25,000/=.
“	2	Bought goods on credit from the following persons: R.M. Mutinda KES 5,400/=; L.K. Wangechi KES 8,700/=; J.A. Odhiambo KES 2,500/=; E.O. Magero KES 7,600/=; and C.K. Sang KES 6,400/=.
“	4	Sold goods on credit to E.M. Mburia KES 4,300/=, J.A. Ojala KES 6,200/=, and A.M. Mukatia KES 17,600/=.
“	6	Paid land rent by cash KES 1,200/=.
“	9	E.M. Mburia paid us his account by cheque KES 4,300/=.
“	10	A.M. Mukatia paid us KES 15,000/= by cheque.
“	12	We paid the following by cheque: J.A. Odhiambo KES 2,500/=; R. M. Mutinda KES 5,400/=.
“	15	Paid transport by cash KES 2,300/=.
“	18	Bought goods on credit from L.K. Wangechi KES 4,300/=; E.O. Magero KES 11,000/=.
“	21	Sold goods on credit to J.A. Ojala KES 6,700/=.
“	31	Paid land rent by cheque KES 1,800/=.

- (a) Enter up the necessary accounts for the month of May for the Poultry Enterprise. [15 marks]
 (b) Balance off the accounts. [5 marks]
 (c) Extract a trial balance for the Poultry Enterprise as at 31st May, 2007. [5 marks]

Question 3

Use your knowledge of the Programme Planning technique and the table below to select enterprises for production purposes in the order of their returns to potentially scarce resources.

Available Resources and Enterprise requirements

Resource	Available (Maximum)	Maize (1 ha)	Peanuts (1 ha)	Wheat (1 ha)
Land (ha)	820	1	1	1
Cropland (ha)	820	1	1	1
Wheat (ha)	50	-	-	1
Maize (ha)	170	1	-	-
Peanuts (ha)	210	-	1	-
March/April labour (hrs)	2000	1	2	5
August/Sept. labour (hrs)	1380	3	1	2
October/Nov. labour (hrs)	940	2	0	14
Gross margin		24,000/=	26,000/=	30,000/=

- (a) Which enterprise should be introduced first at the maximum level with August/September (Summer) labour as the scarce resource? Illustrate your selection. [20 marks]
- (b) Compute the total Gross-margin after the selection and introduction of all the enterprises possible. [5 marks]

Question 4

A farmer had the following working assets in her possession:

- A powered machine (truck) purchased on 1st April for Ksh 295,500/= with a useful life of 12 years, and a salvage value of Ksh 20,350/=.
- A non-powered machinery (plow) purchased on October 1st at Ksh 25,000/= with a useful life of 5 years, and a salvage value of Ksh 2,550/=.
- An Electrical fence valued at Ksh 150,000/= with a useful life of 15 years, and salvage value of Ksh 15,250/=.

- (a) Using the rate of change in value over the useful life period as a guide, determine the appropriate depreciation method to recommend for the farmer in computing the depreciation expense each year. [3 Marks]
- (b) Using the appropriate depreciation method as recommended in “a” above, what is:
- i) The book value, at the end of the 5th year in each case? [6 Marks]
 - ii) The total depreciation at the end of the 7th year in each case? [14 Marks]
 - iii) The effect of the depreciation method selected? [2 Marks]
- (c) Define the following Farm Accounts & Planning terminologies.
- i. Partial budgeting. [1 mark]
 - ii. Gross-Margin. [1 mark]
 - iii. Slack-variables. [1 mark]
 - iv. The Imprest system. [1 mark]
 - v. The Narrative. [1 mark]