SPECIFY TYPE OF EXAMINATION

FIRST ATTEMPT ☐
FIRST RESIT ☐
SECOND RESIT ☐
RE-TAKE ☐

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS & ECONOMICS

THIRD YEAR FIRST SEMESTER UNIVERSITY EXAMINATION FOR THE DEDGREE OF ACHELOR OF SCIENCE IN AGRICULTURAL EXTENSION AND EDUCATION

ACADEMIC YEAR 2022/2023

REGULAR

COURSE CODE: AEB 1302 **Stream: BSc. AGED**

COURSE TITLE: Farm Accounts & Planning/Farming as a Business

DATE: **TIME: 9.00-12.00 NOON**

TIME: 2 HOURS

Instructions:

1. **Answer ALL questions in Section A and B and ANY other TWO questions in Section C**
2. **Tick the most correct alternative in Section A**
3. **Answers to Questions in Section B and C must be written in the spaces provided on the question paper.**
4. **Candidates must ensure they submit their work by clicking "finish and submit attempt" button at the end.**

Registration No……………………………………………………………………

SECTION A: 20 Marks (Each question carries 1 mark)

NB: These are multiple choice questions with four choices, A, B, C, and D and the candidate is supposed to tick the correct answer.

Q1. A Farmer would like to change from the current practice of Wild Lake Fishing episodes to the adoption of the current Cage Fisheries Technology. The Wild Fishing method makes a catch haul of 950 kg of fish per month which sells at KES 200/ per Kg. The variable expenses associated with the Wild fishing method is KES 9500/ per month. The Cage Fisheries technology makes a batch of 2750 kg of fish per month and sells at KES 350 kg per kg. The variable expenses incurred by the Cage Fisheries technology method is KES 12500/- per month.

Using your knowledge of Partial Budgeting as a planning tool, answer the following Questions:

Q1 a). What was the Net change in profit for the proposed change in fishing method?

A. KES 190,000 ☐ B. KES 962,500/- ☐ C. KES 202,300/- ☐ D. KES 951,750/- ☐

Q1 b) what is total value of reduced Costs? A. KES 12,500/- ☐ B. KES 962,500/- ☐ C. KES 190,000/- ☐ D. KES 9,500/- ☐

Q1 c) Compute the total value of the Additional Income associated with the change

A. KES 962,500/- ☐ B. KES 950,000/- ☐ C. KES 190,000/- ☐ D. KES 12,500/- ☐

Q1 d) the total Reduced Income from the planned change:

A. KES 190000/- ☐ B. KES 202,500/- ☐ C. 972,000/- ☐ D. KES 573,000/- ☐

Q1 e). If the change is effected, is it profitable to make the change? And if so why? Or why not?

A. No, because the additional Income will be less than the reduced income ☐ B. Yes, because the Net change in profit will be positive ☐ C. No, because the reduced cost will be less than the Income ☐ D. Yes, because the income is above the costs ☐

Q1 f). What are the peculiar characteristics of the Partial Budget as a planning tool?

A. Is not a full budget and deals with expenses that will decrease with time ☐ B. It encompass the difference between the additional and reduced income ☐ C. The end result of a Partial Budget is reduced income ☐ D. Focus is on the income and expenses that will change if the change is made ☐

g) What makes a Partial Budget different from the Enterprise Budget?

A. It captures only incomes that will change and not the expenses ☐

B. the Partial Budget may involve more than one Enterprise ☐

C. An Enterprise budget encompass activities that will bring in revenue to the business ☐

D. It is only done at the end of the business venture ☐

Q1 h). A Balance Sheet is a status report that shows information about the organization's resources at one given time. Examples of information found on a balance sheet are:

A. How much cash is in the bank, what is owed to creditors, and the value of the company's assets ☐

B. The total Assets, Cash Revenue, and Fixed Expenses ☐

C. Intermediate Assets, Current Assets, and Liabilities that the Business owe to other Organizations ☐

D. Total Liabilities less total Current and Intermediate Assets ☐

Q1 i). The primary purpose/use of a Balance Sheet is to measure the financial strength and position of the business. Examples of measures of financial strength and position that can be obtained from a balance sheet include:

A. Rate of Returns to Capital, Liquidity, and Returns to Labour ☐

B. Net Capital Ratio, Solvency, and Returns to Management

C. Total Liabilities, Networth

Q1 j). Describe in business parlance "what is accounting?" A. Accounting involves summarizing the Business expenses incurred during the prescribed Accounting period of the business B. Accounting is concerned with the uses which accountants might make of the bookkeeping information given to them C. It captures the principles of Book keeping focusing on income from the business D. Accounting is a business jargon used to describe income generating activities

k) The defining feature and an important characteristic of a Balance Sheet is that:

A. Total Capital MINUS Total Liabilities Equals Total Assets

B. Total Assets MUST exactly equal Total Liabilities plus Networth

C. Working Capital Ratio PLUS Net Capital Ratio are always equal

D. It MUST be developed annually by 31st December

Q1 l). All of financial accounting is based on the simple idea often called "the accounting Equation" meaning: A. Net worth (N.W) MUST always equal to the total business Assets (A) MINUS business Liabilities (L) B. Total business Assets MUST always equal to total Liabilities MINUS Net worth C. Total liabilities MUST always equal to total business Assets PLUS business Net Worth D. Total Current Assets PLUS total Fixed Assets MUST always equal to total Current Liabilities Plus Long term Liabilities

m) Farm records -Refers to the more mechanical routine of entering receipts, expenses and other items in a prescribed set of accounts or forms. Which of the following would be classified as examples of Physical Farm Records:

A. Soil Map, Income statement, and Crop Record

B. Aerial Photograph, Farm Map and Balance Sheet

C. Field Records, Aerial Photograph, and Farm Map ☐

D. Soil Map, Field Records, and Cash Receipts ☐

Q1. n) The primary purposes of keeping Farm records includes to: A. Calculate total variable expenses compared against total fixed expenses ☐ B. Estimate the Income above Variable costs ☐ C. Have proof for correct taxation, aid in decision making, have evidence for legal and business purposes ☐ D. Compute total sales against increases in inventory ☐

Q1 o). Farm Accounts refers to the principles and procedures for systematically recording business transactions and for summarizing, reporting, and interpreting the results. Which of the following would be classified as examples of Financial Farm Records:

A. Liability Schedule, Livestock Records, and Field Records ☐

B. Operational Expenses, Farm Map, and the Balance Sheet ☐

C. Depreciation Schedule, Crop Record, and Enterprise Budget ☐

D. Balance Sheet, Cash Receipts, and Income Statement ☐

Q1 p) Business transactions (payments) can be made in the following modes:

A. Cash, in kind, services, and by Rights ☐ B. Material. Liquid, Credit, and Cash ☐

C. In kind, Debits, Credit, and Services ☐ D. Monetary, Material, Overheads, and Returns ☐

Q1 q). The Gross Margin of the Business is computed by:

A. Multiplying the Output price (P_y) by the Input level (P_x) ☐ B. Total Physical Output value MINUS Total Operational Costs ☐ C. Total Fixed costs PLUS Total Variable Expenses ☐ D. The Break Even price ☐

A. AAA

Q1 r). The overall objective of a Comparative Income Statement is to:

A. Compare Family Income from all sources ☐ B. Analyze the impact of Fixed Expenses as compared to Variable Expenses ☐ C. Find out the trends in various income and expense items ☐ D. Compare Income from different Companies

Q1 s). The three (3) main procedures for determination of Income for the Business include:

A. Summation of all Expenses, Revenue, and Total credit of the Business ☐

B. Considerations of the Marginal Value Product, the Variable expenses, and Fixed expenses ☐ C. Cumulative Balance, Monthly Balance, and Total Expenses ☐

D. Revenue and Expenditure Account, Gross Margin Calculation, and projection of individual components of the business ☐

Q1 t) The Income statement includes a list of all expenses (business debits) on the one hand, and all receipts (business credit) on the other hand. The Net Income for the year is determined by:

A. Dividing the total Revenue by the Total Expenses ☐ B. Adding the Total Expenses to the Total Revenue ☐ C. Total Costs MINUS Total Variable Expenses ☐ D. Total Revenue MINUS Total Expenses ☐

SECTION B: 30 Marks

The candidate is supposed to attempt all questions in this section. Answers to questions in this section must be written in the spaces provided. Answers must be precise and concise.

The questions are supposed to be structured/short answer questions which carry 2 to 5 marks each, making a total of 30 marks.

Q2. 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.

Table1. 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 March/April (Spring) 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. **(10 marks).**

SECTION C: 20 Marks

These are long answer questions.

There are a total of three (3) questions, each carrying ten (10) marks. A candidate is supposed to answer any two (2) questions.

Q3. JOOUST SAFS Farm 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 4000/= and the average sale price for both Does and Bucks is KES 16,000/= per goat. Feed costs in the first, second, third, and the fourth months are 600/=, 650, 750/=, and 900/= respectively.

(a) Prepare a Complete Budget for the Cross-breed Dairy rearing enterprise **(8 Marks).**

(b) What was the net gain or loss at the end of the year? Briefly explain your findings **(2 Marks).**

Q4. SAFS Farm purchased a farm machinery worth KES 950,000.00 on April 1st with a useful life of 10 years and a salvage value of KES 15,000.00.

a) Compute the annual depreciation of the machine using the two (2) accelerated methods of depreciation for the first four (4) years. **(8 Marks).**
b) What was the Book value of the machinery at the end of the 4th year under each of the methods? **(2 Marks).**

Q5 a) Distinguish between operational expenses and fixed expenses and in each case give two (2) practical examples in farm enterprises (2 Marks).

b) Briefly discuss the three (3) valuation methods associated with Business Inventory and Valuation **(3 Marks)**

(c) Define the following Farming as a Business terminologies*

i) Accrual accounting method
ii) Notes Receivable
iii) T-Account
iv) Owner's Equity
v) Accounting period

***@ 1 Mark each**