



**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/RESITS 2)

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

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. Q1. A farmer would like to change from the production of “Commercial Maize” to “Baby Corn”. One (1) hectare of Baby corn yields 95 bags of 90 kg each. The market price of a 90 kg bag of Baby Corn is KES 2,225/=. The total variable cost of producing 1 hectare of Baby corn is KES 25,000/=. One (1) hectare of Commercial Maize yields 100 bags of 90 kg each. The market price of Commercial Maize is KES 1,800/= per bag. The total variable cost of producing 1 hectare of Commercial maize is KES 18,000/=.

(a) Using Partial Budgeting as a Farm Planning technique, determine whether it is profitable for the Farmer to introduce the change. Indicate all the necessary steps and assumptions. **(20 Marks).**

(b) Briefly explain the four (4) Key questions used to develop a Partial Budget (8 Marks).

(c) What is the main purpose of a partial budget in farm business planning (2 Marks)

SECTION B = 40 MARKS:

Q2. The JOOUST Siaya SAFS Farm had the following information as given below.

The JOOUST Siaya SAFS Farm Income Statement as @ 31/12/018.

DEBIT	VALUE (KES)	CREDIT	VALUE (KES)
Part 1: Operating Expenses:		Farm product sales:	
• Equipment maintenance	100,000.00	• Milk sales	65,000.00
• Fuel/Oil	30,000.00	• Eggs	25,000.00
• Inputs	15,000.00	• Steers	160,000.00
• Hired labor	8,000.00	• Heifers	140,000.00
• Transport	4,500.00	• Honey	55,000.00
• Storage	750.00	• Cereals	250,000.00
Total Operational expenses	158,250.00	• Crates of tomato	95,000.00
		• Bags of onion	35,000.00
		Total produce sales	825,000.00
Part 2: Fixed Expenses:		Part 2:	
• Taxes paid	10,500.00	Miscellaneous sales:	
• Interest paid	2,500.00	• Cheese	19,000.00
• Insurance	15,000.00	• Yogurt	52,000.00
• Salaries	60,000.00	• Hides and skins	7,500.00
• Rent	24,000.00	• Manure	11,000.00
• Depreciation	5,000.00	• Maize husks	6,500.00
Total Fixed expenses	117,000.00	Total Miscellaneous sales	96,000.00
Part 3: Decreases in Inventory (DII):		Part 3: Increases in Inventory (III):	
• Liquid assets sales		Stock purchase	36,000.00
• Payment to a Creditor	14,000.00	Payment from a Debtor	84,000.00
	75,000.00	Total III	120,000.00
Total DII	89,000.00		
TOTAL DEBITS	364,250.00	TOTAL CREDITS	1,040,000.00

Q2 a) Use your knowledge of income statement determination and compute the Gross Margin for the year.

(b) What was the Net Income for the year?

Q3. The study of farm management is crucial and central to the whole discipline of agricultural economics.

a) Distinguish between “Economics” and “Agricultural Economics” (8 Marks).

b) Briefly explain the nature and scope of Agricultural Economics (6 Marks)

c) State and explain any three (3) Measures of Capital position in a Farm Business (6 Marks).

Q4 a) State and briefly discuss any four (4) reasons for keeping farm records and any four (4) difficulties often encountered in keeping farm records? (8 Marks).

b) Discuss the concept of “the law of diminishing marginal returns” as it relates to Farm record keeping(4 Marks).

c) Define the following Farm Management terminologies*

i) Accounts payable ii) Slack Variables iii) Current Ratio iv) The Narrative

***@ 2 Mark each**