



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN**  
**AGRIBUSINESS MANAGEMENT**  
**3<sup>RD</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR**  
**MAIN CAMPUS**

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**COURSE CODE: AAE 3325**

**STREAM: BSc. AGRIBUSINESS MANAGEMENT**

**COURSE TITLE: FARMING AS A BUSINESS**

**DATE:**

**TIME:**

**TIME: 2 HOURS**

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**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.**

**SECTION A: 20 Marks (Each question carries 2 mark)**

**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 1800 kg of fish per month which sells at KES 200/= per Kg. The variable expenses associated with the Wild fishing method is KES 19,500/= per month. The Cage Fisheries technology makes a batch of 3750 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 30,500/- 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 360,000/-  B. KES 1,312,500/-  C. KES 1,722,500/-  D. KES 1,332,000/-

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 30,500/-  B. KES 19,500/-  C. KES 360,000/-  D. KES 390,500/-

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

- A. KES 360,000/-  B. KES 390,500/-  C. 19,500/-  D. KES 30,500/-

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

Q1.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). 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

E. Revenue MINUS Total Expenses

**SECTION B: 30 Marks**

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

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
<b>Gross margin</b>		<b>24,000/=</b>	<b>26,000/=</b>	<b>30,000/=</b>

- (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**

**Answer any two (2) questions.**

**Q3.** JOOUST SAFS Farm is planning a Crossbreed 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 Weaners is KES 5000/= and the average sale price for both Does and Bucks is KES 15,000/= per goat. Feed costs in the first, second, third, and the fourth months are 650/=, 700, 750/=, and 900/= respectively.

- (a) Prepare a Complete Budget for the Crossbreed 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 990,000.00 on April 1<sup>st</sup> with a useful life of 12 years and a salvage value of KES 15,000.00.

- a) Compute the annual depreciation of the machine using the TWO accelerated methods of depreciation for the first FOUR years. **(8 Marks)**
- b) What was the Book value of the machinery at the end of the 4<sup>th</sup> year under each of the methods? **(2 Marks)**

**Q5 a)** Distinguish between operational expenses and fixed expenses and in each case give TWO 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) Single Entry accounting method
- ii) Accounts Payable
- iii) T-Account
- iv) Owner's Equity
- v) Accounting period

**\*@ 1 Mark each**