



**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: <ul style="list-style-type: none"> • Equipment maintenance • Fuel/Oil • Inputs • Hired labor • Transport • Storage Total Operational expenses	100,000.00 30,000.00 15,000.00 8,000.00 4,500.00 750.00 158,250.00	Farm product sales: <ul style="list-style-type: none"> • Milk sales • Eggs • Steers • Heifers • Honey • Cereals • Crates of tomato • Bags of onion Total produce sales	65,000.00 25,000.00 160,000.00 140,000.00 55,000.00 250,000.00 95,000.00 35,000.00 825,000.00
Part 2: Fixed Expenses: <ul style="list-style-type: none"> • Taxes paid • Interest paid • Insurance • Salaries • Rent • Depreciation Total Fixed expenses	10,500.00 2,500.00 15,000.00 60,000.00 24,000.00 5,000.00 117,000.00	Part 2: Miscellaneous sales: <ul style="list-style-type: none"> • Cheese • Yogurt • Hides and skins • Manure • Maize husks Total Miscellaneous sales	19,000.00 52,000.00 7,500.00 11,000.00 6,500.00 96,000.00
Part 3: Decreases in Inventory (DII): <ul style="list-style-type: none"> • Liquid assets sales • Payment to a Creditor Total DII	14,000.00 75,000.00 89,000.00	Part 3: Increases in Inventory (III): <ul style="list-style-type: none"> Stock purchase Payment from a Debtor Total III	36,000.00 84,000.00 120,000.00
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**