



2ND SEM. 2004/2005

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

**PROGRAMME: DIPLOMA IN AGRICULTURE III
DIPLOMA AGRICULTURAL EDUCATION III
DIPLOMA IN HOME ECONOMICS III
DIPLOMA IN HOME ECONOMICS
EDUCATION III**

COURSE CODE: AEM 302

TITLE OF PAPER: FARM MANAGEMENT AND ACCOUNTS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: ANSWER ALL THREE (3) QUESTIONS

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GRANTED BY THE CHIEF INVIGILATOR**

QUESTION ONE

- a. Mr. Simelane's most profitable enterprise is cotton of which he grows 8 ha. It has a gross margin of E170/ha and costs E28/ha to weed with casual labour. The remaining 20 ha of his farm planted to maize which has a gross margin of E84/ha. Shortage of casual hand labour for weeding limits the cotton enterprise to 8 ha so the proposal is to increase this area by using an herbicide to avoid the labour bottleneck at weeding. Use of herbicide would enable cotton to be increased to 14 ha and would reduce the cost of casual weeding labour to E7/ha. The herbicide would cost E11.20/ha and a power take-off pump, tank and boom costing E630 would have to be bought. This equipment is expected to last for 3 years and to have running costs of E42 a year. Should Mr. Simelane invest in this equipment in order to increase his cotton area?

(20 Marks)

- b. The principal enterprise of a certain Malkern's farmer was a fifty-cow dairy with home-grown replacements. The farm also had a 5000-bird market-egg flock. The farm was at capacity insofar as land and building resources were concerned. The labour force consisted of a father and son who were fully employed. Year-end analysis of the poultry enterprise account produced figures in Table 1. Based on these records, the family concluded that they should discontinue the poultry enterprise because it had an annual loss of E3175. After a careful examination of the data in Table 1, do you find anything wrong with the 5000 Bird Market- Egg enterprise analysis and if so how do you correct it?

(20 Marks)

QUESTION TWO

- a. At the end of an accounting period a certain well-known poultry farmer from Manzini area was presented with his income statement which was prepared by you. He nearly collapsed when he first spotted the huge loss that his business made during that period as reflected in your statement. He could not believe what he saw and decided to engage an accountant to have a second look at your statement. After a careful scrutiny of your statement, the accountant noticed that you valued all the assets both variable and fixed at a cost price and used them as they were in your statement. These included, harvested crops, feeds, tractors, purchased breeding livestock and left over fertilizers. In deed, some of the fixed items were relatively new in the business. What blunder did you commit and how should this have been avoided?

(12 Marks)

- b. In the middle of the semester, after we had visited one business in Manzini to learn about its financial performance, I assigned you in groups of ten to prepare a balance sheet for the business using both the financial and physical records we collected. During the process a vicious argument ensued between members of one particular group. One of the group members suggested that they should treat the portion of a long-term and intermediate-term debt payable during the chosen accounting year as a current liability but the rest did not see any sense in doing so and strongly opposed that idea. After their lengthy argument, they approached me for clarification but I rather referred them to you. Which side did you support and why?

(18 Marks)

QUESTION THREE

- a. Assume you went home in your village and your grandmother who is a farmer complained to you that the district extension officers have been bothering her to learn some basics of farm management. The old lady is of the opinion that the constant persuasion by the extension officers is an infringement on her private life and has vowed not to entertain them to her house anymore. She is definitely looking forward for your support. Provide the arguments you would use to convince her about the need to listen to the advice offered by the extension officers.

(18 Marks)

- b. The last time you visited your grandmother you devoted enough time to discuss about her farming activities. The old lady was more than pleased to have had such an occasion with you. During the conversation, your grand mum informed you with joy that she has been estimating her annual farm profit for the past five years but has never completed any annual opening and closing valuations of her assets throughout the period. Do you find anything wrong with her respective profit and loss statements? Explain.

(12 Marks)

AEM 302 TABLE FOR QUESTION 1B

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Table 1: Enterprise Account: Total Cost and Returns for 5000-Bird Market-Egg

Returns	Emalangen	Emalangen
Eggs	55000	
Cull hens	1575	
Total income		56575
Costs		
Feed	33400	
Replacement pullets	11750	
Repairs, power, and fuel	1100	
Building	6250	
Supplies	750	
Family labour	6500	
Total Cost		59750
Gain (or Loss)		(3175)