



2nd SEM. 2005/2006

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

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

COURSE CODE: **AEM 302**

TITLE OF PAPER: **FARM MANAGEMENT AND ACCOUNTS**

TIME ALLOWED: **TWO (2) HOURS**

INSTRUCTION: **Candidates are required to answer Question ONE and any other TWO of the THREE remaining questions in this TEST paper.**

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Question One

The inventory items of a certain farmer from Maloma at the end of the 2004 financial year are as shown below:

ITEM	VALUE (E)
Portion of intermediate-term loan due	3,850.00
Grain & feed	14,720.00
Real estate and buildings	60,000.00
Real estate mortgage	35,000.00
Accounts payable	31,276.00
Portion of long-term loan due	2,500.00
Feeder cattle	35,535.00
Machinery, trucks and auto	14,010.00
Cash	1,472.00
Breeding stock	2,190.00
Cash value of life insurance	1,500.00

- a) Using the above inventories, prepare a balance sheet for the farmer
(10 marks)
- b) The balance sheet and income statement are two different yet related financial statements for a given business. Elaborate on the main differences between the two.
(12 marks)
- c) From your balance sheet record, calculate and discuss the uses of the following ratios:
- Percentage equity (6 marks)
 - Solvency (6 marks)
 - Current liquidity (6 marks)

Question Two

Farmer Muzikayise applies different levels of fertilizer presented in Table 2 to his water-melon field and achieves the corresponding yields. Assume a unit cost of fertilizer is E24.00 per kg and a unit price of water-melon is E4.00 per kg.

Table 2: Response of water melon to various levels of fertilizer applications

Fertilizer (Kg)	0	1	2	3	4	5	6	7	8	9	10
Water-melon yield (Kg)	0	24	60	88	108	124	136	144	148	144	136

- a) How much of water-melon should Muzikayise produce in order to maximize his profit? Approach this problem from the marginal revenue and marginal cost concepts.

(15 marks)

- b) Muzikayise whose main goal is to maximize total profit from his water-melon production would like to apply fertilizer till an output level of 148 units of water-melon is achieved. From the point of view of “profit-maximizing input level” would you encourage Muzikayise to stick to the decision? If not, why?

(15 marks)

Question Three

The “tragedy of the commons syndrome” is often associated with the communal land use systems and is also referred to as the main cause of land degradation in most African countries. With reference to communal grazing lands in Botswana and Swaziland elaborate your reasons for supporting the statement or disagreeing with the statement.

(30 marks)

Question Four

- a) Ms Myzo became furious with the bank manager of a newly restructured agricultural Swazibank in Mbabane when the latter asked her to come along with the farm records she has been keeping on her enterprises before her application for credit could be considered. Ms Myzo's reason for being annoyed was that she had indicated in her application form that she had a house to use as a surety and that alone should be enough and there was no need for the farm records. I personally believe Ms Myzo was right. Do you agree or disagree with me? Elaborate with sufficient reasons for the choice of your answer.
(15 marks)
- b) If farm business goals and objectives strongly conflict with goals of persons associated with the business, there is a potential for difficulty. Comment on this with an illustration of a particular situation of your choice.
(15 marks)