



UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

**PROGRAMME: BACHELOR OF SCIENCE IN AGRICULTURE
YEAR V**

**AGRICULTURAL ECONOMICS AND
MANAGEMENT OPTION YEAR V**

COURSE CODE: AEM 503

TITLE OF PAPER: AGRIBUSINESS MANAGEMENT

TIME ALLOWED: TWO AND A HALF (2½) HOURS

- INSTRUCTION:**
- 1. ANSWER ANY FOUR (4) QUESTIONS**
 - 2. ALL QUESTIONS CARRY EQUAL MARKS**

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GRANTED BY THE CHIEF INVIGILATOR**

QUESTION ONE

A local food processing company has offered farmers within the Ngwempisi RDA a contract to grow yellow maize that would be used to produce a new type of livestock feed. Discuss the importance of contracting with respect to the farmers and the processing company. How would you advise the farmers about this important decision they have to make? (25 marks)

QUESTION TWO

The risks confronted by farmers are of particular interest, given the changing role of markets in the agricultural arena. Hence, understanding of risk and risk management is important to help producers make better decisions in risky situations and to assist policymakers in assessing the effectiveness of different types of risk protection tools. Discuss the different risk faced by farmers and the different tools used to manage such risks (25 marks)

QUESTION THREE

- i) What do you understand by the term capital management? (5 marks)

- ii) Briefly discuss the following financial measures used in capital management.
 - a) Profitability (5 marks)
 - b) Financial efficiency (5 marks)
 - c) Liquidity (5 marks)
 - d) Solvency (5 marks)

QUESTION FOUR

Management is the application of scientific knowledge whose results are based on scientifically observed and recorded facts about the behavior and attitudes of people (who are the managers and the managed). In management, people use people to achieve defined goals and in the process, those used or managed, have to be cajoled, taught, induced, and motivated to ensure that they work with one purpose towards

achieving defined objectives. Discuss the main function of management in agribusiness (25marks)

QUESTION FIVE

i) Using an example Explain the concept of time value of money in capital investment (10 marks)

ii) Mr. Dlamini would like to respond to the recent job creation summit that was held at the Mavuso Trade by engaging himself into a business venture. He has two investment opportunities. The initial investment and annual cash flows for each are listed in the table below:

	Project A	Project B
Initial Investment	- 10,000	-10,000
Cash flow 1	-4,000	-2,000
Cash flow 2	6,000	10,000
Cash flow 3	-8,000	-4,000
Cash flow 4	6,000	6,000

a) Calculate the net present value for each of the investments and their payback period (10marks)

b) Based on your results provide advice to Mr. Dlamini in terms of the viability of these investments (5marks)