



UNIVERSITY OF SWAZILAND
FINAL EXAMINATION PAPER

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

APH OPTION YEAR IV
CP OPTION YEAR IV
HORT OPTION YEAR IV

COURSE CODE: **AEM 506**

FARM BUSINESS III

TIME ALLOWED: **TWO AND A HALF (2) HOURS**

INSTRUCTION: **1. ANSWER QUESTION ONE AND ANY**
 OTHER TWO QUESTIONS

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QUESTION ONE

Risk is the possibility of adversity or loss, and refers to "uncertainty that matters." Consequently, risk management involves choosing among alternatives to reduce the effects of risk. It typically requires the evaluation of tradeoffs between changes in risk, expected returns, entrepreneurial freedom, and other variables. Understanding risk is a starting point to help producers make good management choices in situations where adversity and loss are possibilities. Discuss the sources of risk in agriculture and how farmers go about managing these risks. (40 marks)

QUESTION TWO

What is meant by profitability? Why is it important to measure profitability of a farm business? Briefly discuss two measures of farm profitability. What are the challenges in measuring farm profitability? (30marks).

QUESTION THREE

Financing can make all the difference between success and failure in business. The different dimensions of financing contribute to its effects on the ability of businesses to succeed. For example, while inadequate financing has been identified as a major contributor to business failure, the nature of financing and its timeliness both have significant impact on the success probability of a firm. Discuss the sources of finance available to an agribusiness firms. (30 marks)

QUESTION FOUR

Agriculturalists are often involved in estimating the values of crops and animals or of entire farms and especially for compensation in case of destruction. They are thus usually compelled to go through the process of valuation. Briefly discuss the different methods used in the valuation of farm assets. (30 marks)