



**1<sup>st</sup> SEM. 2006/2007**

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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**PROGRAMME: DEGREE IN AGRICULTURE (AEM OPTION)**

**COURSE CODE: AEM 503**

**TITLE OF PAPER: AGRIBUSINESS MANAGEMENT**

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

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

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**Question 1**

Income Statement shows the earnings of the business for a given period of time, usually one year. In addition, it shows the sources of revenue; describes the nature of expenses and calculates net farm and family incomes.

Assume the income Statement of Bheka Manana's Company is described by the following items:

Crop sales (E166,000);	Cash operating (E80,000)
Interest paid (E20,000)	Livestock (30,000)
Breeding stock (5,000)	Depreciation (25,000)
Net non-farm income (5,000)	Income taxes (10,000)

Two major adjustments with the following beginning and ending values respectively:

- i) Revenue- livestock to be sold (31,000; 28,000); crops and feed (71,400; 67,000); Breeding stock (25,500; 29,000);
- ii) Paid expenses – growing crops (8,300; 9,000); supplies (5,200; 4,000); prepaid expenses (3,500; 4,000)

- a) Give the general format for Income Statement **(5 marks)**
- b) Compute the two adjustments of revenue and paid expenses **(10 marks)**
- c) Compute the value of production; total expenses and net farm income **(9 marks)**
- d) Compute net family income after taxes **(6 marks)**
- e) Discuss net farm income and net family income **(10 marks)**

**Question 2**

To evaluate alternative decisions, three questions must be answered regarding returns, repayment and risk. The farmer needs to know: i) whether the proposed alternative will be profitable; ii) whether debt repayment obligation can be met when they become due; and iii) whether the business has the capacity to assume the risk.

- a) Differentiate the management tools used in analyzing these questions; and also discuss the one that summarizes revenue and expenses for specific commodities **(15 marks)**
- b) Discuss each of the four budgeting types outlined in your answers above; making a clear distinction among them **(15 Marks)**

**Question 3**

Planning accurate market and cost values on farm assets is essential for the preparation of the income statement. It, therefore, become of paramount importance that appropriate methods be used for particular assets since some methods depend very much on the nature and purpose for which they are held. Discuss four of these general guidelines for setting market values.

**(30 Marks)**

**Question 4**

Capital and depreciation schedules are related to investment activities and real estate. Managers therefore have to record information about the depreciable and real estate assets that contribute to production for more than one year. These may include, for example, machinery, equipment, purchased breeding stock, land and buildings. Depreciation charges can then be spread evenly over the life of an asset or can be higher during the early part of its life. Three methods as indicated in the Table below could be adopted.

Table 1: Comparison of Three Depreciation Methods

No	A. METHOD		B. METHOD		C. METHOD	
	Deprec.	Bk Value	Deprec.	Bk Value	Deprec.	Bk Value
1	£1,000	£11,000	£3,000	£9,000	£1,800	£10,200
2	1,000	10,000	2,250	6,750	2,640	7,560
3	1,000	9,000	1,688	5,062	2,520	5,040
4	1,000	8,000	1,062	4,000	2,520	2,520
5	1,000	7,000	0	4,000	2,520	0
6	1,000	6,000	0	4,000	0	0
7	1,000	5,000	0	4,000	0	0
8	1,000	4,000	0	4,000	0	0
9	1,000	4,000	0	4,000	0	0

a) Discuss the two types of records needed to be kept

**(6 Marks)**

b) Compare the three methods represented by A, B, and C in Table 1 above.

**(24 Marks)**