



UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

2nd SEMESTER 2009/2010

- PROGRAMME** : **BSc. AGRIC. & BIOSYSTEMS. ENG. YR2**
BSc. AG. ECON. & AGBMGT YR2
BSc. AGRIC. EDUCATION YR2
BSc. AGRONOMY YR2
BSc. ANIMAL SCIENCE YR2
BSc. HORTICULTURE YR2
- COURSE CODE** : **AEM 205**
- TITLE OF PAPER** : **FARM MANAGEMENT**
- TIME ALLOWED** : **TWO (2) HOURS**
- INSTRUCTIONS** : **ANSWER ALL QUESTIONS. EACH QUESTION CARRIES A TOTAL OF 25 MARKS**
ANSWERS THAT ARE NOT PRECEDED BY RELEVANT WORKING WILL NOT BE GRADED

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QUESTION 1

- (a) What is the difference between a cashflow budget and an enterprise budget?
[5 marks]
- (b) Discuss the 5 sources of risk that any farm business is likely to encounter
[15 marks]
- (c) State the decision rule for the profit-maximizing output level and prove that at this level $MPP = \frac{P_i}{P_o}$
[5 marks]

QUESTION 2

Discuss, with examples, the following concepts as used in farm management;

- (a) Economies of size [5 marks]
- (b) Collateral [5 marks]
- (c) Depreciation [5 marks]
- (d) Cumulative distribution function [5 marks]
- (e) Revocability [5 marks]

QUESTION 3

Input Level (X)	Output (Y)	Average Physical Product	Marginal Physical Product	Total Value Product	Marginal Value Product	Marginal Input Cost	Marginal Revenue
0	0						
1	12						
2	30						
3	44						
4	54						
5	62						
6	68						
7	72						
8	74						
9	72						
10	68						

Input price = E12, Output price = E2

- (a) Complete the table **[20 marks]**
- (b) Identify the output level where the firm can maximize profit **[5 marks]**

Show all your work

QUESTION 4

Mr. Thusi wants to lease a 1 ha farm in Matsamo where he plans to produce green mealies. He has asked you to prepare him an enterprise budget for his project. The costs that he is likely to incur are as follows:

Ploughing	-	E 175.00
Permanent labour	-	E 2,000.00
Discing and planting	-	E 140.00
Maize seed	-	E 410.00
Basal fertilizer	-	E 780.00
Top dressing fertilizer	-	E 235.00
Rent per season	-	E 500.00
Property tax	-	E 100.00
Cutworm bait	-	E 50.00
Stalkborer control	-	E 50.00
Machinery depreciation	-	E 35.00
Casual labour	-	E 300.00
Crop insurance	-	E 250.00

- (a) If the possible maize yield in Matsamo is 25, 000 maize cobs per hectare and the current producer price is E1.30 per maize cob, calculate the following:
 - (i) Gross margin **[9 marks]**
 - (ii) Break-even price **[3 marks]**
 - (iii) Break-even yield **[3 marks]**
- (b) Briefly discuss the first 5 steps in the decision making process in farm management. **[10 marks]**

Show all your work