



UNIVERSITY OF SWAZILAND

SUPPLEMENTARY 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

With the aid of a diagram, describe the key management functions, giving a clear indication how these functions are interlinked. **[25 marks]**

QUESTION 2

- (a) In the absence of information on prices, Managers rely on the physical information to decide how much input to use in their production. According to economic theory, stage II is the ideal stage of production. With the aid of well labelled diagrams, show why this is so. **[15 marks]**
- (b) Discuss the following concepts as used in Economics
- (i) Owner' Equity **[3 marks]**
 - (ii) Economic profit **[3 marks]**
 - (iii) Diminishing marginal returns **[4 marks]**

QUESTION 3

Farmer Mabuza purchases a tractor in Durban for E70, 000. The contract of the sale has the following information:

- Transportation -R 300 for every 50km (400 km from Durban to Swaziland)
- Customs tax– 10% of factory price
- Registration - E600

If the annual straight-line percentage rate is 10% and the tractor will be sold for E25, 000,

- (a) Calculate the number of years Mabuza will use the tractor before selling it. **[5 marks]**
- (b) By how much will the tractor depreciate annually? **[5 marks]**
- (c) Discuss the following types of loans
- (i) Intermediate-term loan **[3 marks]**
 - (ii) Real Estate loans **[3 marks]**
 - (iii) Amortized loans **[3 marks]**
 - (iv) Balloon payment loans **[3 marks]**
 - (v) Unsecured loans **[3 marks]**

Show ALL your work

QUESTION 4

Mrs. Van Wyk plans to operate a 500 broiler production unit. When she bought the farm, she was lucky that the previous owner used to run a similar broiler project, meaning she no longer needs to invest in infrastructure and equipment. The costs that she is likely to incur, though, are as follows:

Day-old chicks	-	E2, 500
Broiler starter	-	E3, 400
Broiler finisher	-	E4, 300
Insurance	-	E 300
Saw dust	-	E 140
Vaccine	-	E 200
Disinfectant	-	E 100
Depreciation on equipment-		E 100
Vitamins	-	E 150
Handigas	-	E 500
Casual labour	-	E 700

The birds will be sold after 6 weeks. Based on the current mortality rate in broiler production, Mrs. Van Wyk expects to sell 95% of the broilers at the end of 6 weeks, with each bird selling at E35.00.

- (a) Calculate the Gross margin for the broiler enterprise **[10 marks]**
- (b) Calculate the break-even price **[5 marks]**
- (c) Should the economic principles for determining profit-maximizing input levels be applied before or after completing an enterprise budget? Justify? **[5 marks]**
- (d) Discuss the concept of opportunity costs **[5 marks]**

Show ALL your work