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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**2nd SEM. 2011/2012**

**PROGRAMME:** BSc. in Agricultural & BioSystems Engineering Year 2  
BSc. in Agricultural Economics and Agribusiness  
Management Year 2  
BSc. in Agricultural Education Year 2  
BSc. in Agronomy Year 2  
BSc. in Animal Science Year 2  
BSc. in Animal Science (Dairy option) Year 2  
BSc. in Horticulture Year 2

**COURSE CODE: AEM 205**

**TITLE OF PAPER: FARM MANAGEMENT.**

**TIME ALLOWED: 2:00 HOURS**

**INSTRUCTION: ANSWER QUESTION 1 AND ANY OTHER THREE  
QUESTIONS FROM THE REMAINING  
FOUR QUESTIONS.**

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GRANTED BY THE CHIEF INVIGILATOR**

**QUESTION ONE**

- (a) Give an accurate definition of farm management. [2 marks]
- (b) What are organizational and operational decisions in farm management? [6 marks]
- (c) Explain how organizational decisions are different from operational decisions. [4 marks]
- (d) Given that the nitrogen fertilizer price is E0.25/kg and maize price is E4.00/kg, copy and complete the table below by filling the missing values in the appropriate spaces. [11 marks]

Nitrogen fertilizer (Kg/Ha)	TPP of maize (Kg/Ha)	TVP (E)	TIC (E)	Net returns (E)	MPP	MVP (E)	MIC (E)
0	32.0		0	128.00	-	-	-
10	33.4						
20	34.6						
30	35.6						
40	36.4						
50	37.0						
60	37.4						
70	37.6						

- (e) From the table in question (d) above, at what level of nitrogen fertilizer application will the profit be maximum? [2 marks]

**QUESTION TWO**

- (a) Give the three sections in an enterprise budget which a decision maker should pay attention to [3 marks]
- (b) Tiphela Dlamini has the following items for her one hectare yellow maize enterprise:

Seed	E960.00
Fertilizer	E2,760.00
Chemicals	E1,280.00
Machinery, fuel and repairs	E1,800.00
Custom spraying	E960.00
Transport	E480.00
Labour	E1,760.00
Miscellaneous	E320.00
Interest on variable cost	E516.00
Machinery depreciation, taxes and insurance	E2,880.00
Land charge	E8,000.00

If the expected yield of maize is 1200kg per hectare and the producer price per kg of yellow maize is E18.40,

- (i) Prepare an enterprise budget for Tiphela Dlamini [15 marks]

Calculate the:

- (ii) Gross margin [3½ marks]  
(iii) Expected profit [3½ marks]

### QUESTION THREE

- (a) Provide the narrow and broad definitions of capital as being used by farm management specialists. [4 marks]  
(b) Suppose an amortized loan of E10, 000 is obtained by Celani Mtshali to purchase a fairly used tractor for her farming operations. If the interest rate is 12% per annum, and the repayment schedule is E5, 000 in 6 months and the remaining E5, 000 at the end of one year.

Calculate:

- (i) The amount of interest needed to be paid by Celani Mtshali during the first payment. [4 marks]  
(ii) The amount of interest needed to be paid by Celani Mtshali during the second payment. [4 marks]  
(iii) The total payments needed to be paid by Celani Mtshali for the first and second payments respectively. [6 marks]  
(c) What is credit in the context of farm management? [2 marks]  
(d) Give any five factors to be considered in loan decisions. [5 marks]

### QUESTION FOUR

- (a) Provide any two reasons why it might be necessary to collect farm management data. [5 marks]  
(b) Explain the positive and normative approaches of collecting farm management information. [5 marks]  
(c) Differentiate between the following items in farm management:  
(i) Data and information. [5 marks]  
(ii) Farm accounts books method and farm business survey method. [5 marks]  
(iii) Cost route method and model farm method. [5 marks]

### QUESTION FIVE

- (a) Explain the main causes of depreciation. [10 marks]  
(b) If the cost of an asset is E10, 000 and the residual value is E256 while the asset has an expected life of four years, calculate depreciation provision per annum using:  
(i) Straight line method. [4½ marks]  
(ii) Reducing balance method. [10½ marks]