



UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

**PROGAMME: BACHELOR OF SCIENCE IN AGRICULTURAL
 ECONIMICS AND AGRIBUSINESS
 MANAGEMENT YEARS III & IV**

COURSE CODE: AEM 308/407

TITLE OF PAPER: AGRICULTURAL FINANCE

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: ANSWER ANY FOUR (4) QUESTIONS

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INVIGILATOR**

Question 1**INCOME STATEMENT FOR THE YEAR ENDING IN 2011**

	2011	2010
Sales	250,000	200,000
Cost of sales		
Animal feed	180,000	140,000
Milk packaging material	20,000	13,000
Gross profit		
Less Expenses		
Rent	4,000	3,900
Electricity	2,500	1,700
Salaries	12,000	10,000
Maintenance	2,000	1,600
Insurance	7,000	6,700
Interest on loan	3,200	2,800
Fuel	7,700	6,700
Total Operating Expenses	38,400	33,400
Profit Before Tax	11,600	13,600
Taxation	3,828	4,488
Net Before Tax	7,772	9,112

- (a) Define operating breakeven analysis in terms of sales and in terms of quantity (5 marks)
- (b) Calculate the break even sales at a desired profit margin of 20% for the above schedule of income and expenses for the year 2011 (10 marks)
- (c) The cost of animal feed converted into milk is E4.00 per litre and packaging material for each litre of milk is E3.00. Milk is sold at the competitive price of E9.00 per litre. Calculate the break even quantity for the same schedule of income and expenses (2011) (10 marks)

Question 2

- (a) Mrs. Dlamini wishes to buy a tractor in to order enhance efficiency of operations on the farm. She borrows E150,000 from the bank to finance the purchase and the bank charges compounded interest rate of 14% per annum. The loan is repayable in annual instalments over a nine year period. How much will she end up paying by the end of the nine year period? (10 marks)

- (b) Explain the concept of the Net Present Value (NPV) of an net benefit income cash flow stream. Why do businesses need to calculate the NPV and how would one formulate an opinion or judgement of a business activity using this criterion? **(5 marks)**
- (c) Choose between the following farm activities using the NPV where the required rate of return is 12%. **(10 marks)**

Expected Net Cash flows		
Year	Potato Production (E)	Dairy Farming (E)
0	(10,000)	(10,000)
1	6,500	4,500
2	3,000	3,500
3	3,000	3,500
4	1,000	3,000

The discount factor at 12 percent is as follows:

Year	1	2	3	4
DF	0.8929	0.7972	0.7118.	0.6355

Question 3

- (a) Differentiate between trend and comparative ratio analysis **(5 marks)**
- (b) Discuss the limitations of ratio analysis using examples **(20 marks)**

Question 4

- (a) Discuss the constraints and challenges to agribusiness lending in Swaziland, both on the demand and supply side. What policies can be applied to resolve these problems? **(10 marks)**
- (b) Describe the main types of agribusiness industries in Swaziland in relation to the bottlenecks faced by each industry and opportunities for success **(15 marks)**

Question 5

- (a) What is the essential difference between an income statement and a cash flow statement? Discuss the items one needs to adjust for in order to derive a cash flow statement from an income statement. **(15 marks)**

(b) Before developing pro forma financial statements one needs to prepare operating and capital budgets. Using examples, describe three types of budgets that need to be prepared
(10 marks)