



2nd SEM. 2012/2013

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

**PROGRAMME: B.SC. IN AGRICULTURAL ECONOMICS AND
 AGRIBUSINESS MANAGEMENT 2**

B.SC. AGRICULTURAL EDUCATION 2

B.SC. AGRONOMY 2

B.SC. HORTICULTURE 2

B.SC. ANIMAL SCIENCE 2

B.SC. ANIMAL SCIENCE –DAIRY 2

B.SC. AGRICULTURAL BIOSYSTEMS 2

COURSE CODE: AEM 205

TITLE OF PAPER: FARM MANAGEMENT

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1. ANSWER ALL QUESTIONS

2. QUESTION 25 MARKS EACH

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THE CHIEF INVIGILATOR**

Question 1

- A. Farmer Thonsi bought a tractor for E200 000.00 and trailer for E8 000.00, with a lifespan of 5 years and salvage value of E60 000.00. He pays E5 000.00 in taxes and insurance of E 7 000.00 and interest is 8% per annum. Calculate Thonsi's total annual fixed cost. (15)
- B. Establishing creditworthiness of a farmers is crucial for the decision making process regarding his/her loan application. Define the important factors that the Lenders use in making loan decisions. (10)

(25 MARKS)

Question 2

- A. Given that Farm consultants estimate that there is a 10% chance of a major fuel prices which could reduce the gross margin by E60 per ha. If no fuel price hike, a gross margin of E120 per ha can be received. Adjustment cost in case of a price hike would be E 20 per ha.
- Show the possible results of adjusting or not adjusting in a decision tree and in a payoff matrix. (5)
 - What is the expected gross margin for each choice? (5)
 - What is the range between the high and low outcomes for each choice? (5)
- B. Economic efficiency is fundamental for all farm development and profitability. Discuss the three (3) general factors determining economic efficiency. (10)

(25 MARKS)

Question 3

- A. Farm assets need valuation almost annually to enable proper accounting values and cost. Discuss the methods of valuation of assets, stating the advantages and disadvantages of each. (15)
- B. Farm improvements enable productivity and profits, however, they do not come cheap and limited funds need not limit the goals of a motivated farmer. Define the sources of capital available to a farmer who seeks to invest in his farm. (10)

(25 MARKS)

Question 4

- A. Farmer Ngidi bought a tractor for E10 000 with salvage value of E5 000 and a life span of 8 years. It has a constant value rate of 150. Explain depreciation methods available for Ngidi to consider in computing the depreciation of this asset. (15)
- B. Having computed the depreciation, Ngidi has included it in the income statement as well as in the cashflow for his farming operations for the Month of February 2013. Is Ngidi's accounting correct? State reasons for your answer. (10)

(25 MARKS)