



**2<sup>ND</sup> SEM. 2013/2014**

**UNIVERSITY OF SWAZILAND**

**SUPPLEMENTARY EXAMINATION PAPER**

**PROGRAMME:**

**Bsc. Agricultural Biosystems & Engineering 2**

**Bsc. Agricultural Economics & Agribusiness 2**

**Bsc. Agricultural Education 2**

**Bsc. Agronomy 2**

**Bsc. Animal Science 2**

**Bsc. Animal Science-Dairy Option 2**

**Bsc. Horticulture 2**

**COURSE CODE: AEM 205**

**TITLE OF PAPER: FARM MANAGEMENT**

**TIME ALLOWED: TWO (2) HOUR**

**INSTRUCTION: 1. ANSWER ALL QUESTIONS**  
**2. EACH QUESTION CARRIES TWENTY FIVE (25) MARKS**

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THE CHIEF INVIGILATOR**

**QUESTION 1**

- A. Mr Sambo is a farmer producing beef and yellow maize on his 20ha farm next to your farm business. He has been informed by the financiers that since his enterprises are complimentary, the farm business growth decisions he makes should not overlook that. He does not understand this concept and comes to you, a qualified farm manager for assistance.
- Help explain to Sambo, how his enterprises are complementary and its implication in decision making. [7marks]
  - Using a graph, illustrate the relationship between the two enterprises. [3marks]
- B. Sambo has been substituting inputs for livestock feed as well as the inputs for his yellow maize production as a cost cutting strategy. The extension officer has, however, told him that not all inputs can be substituted for in farming.
- Explain to Sambo, using an example, where a no substitution relationship exists in farming. [5marks]
  - Using a graph present the no substitution relationship. [5marks]
  - Discuss the difference between the internal rate of return and the net present value. [5marks]

**[25 marks]****QUESTION 2**

The Luyengo Dairy Farmers Cooperative took a loan of E30 000 with Swazi Bank in September 1, 2013 at 7% interest to buy another milk tank. They repaid it all in three months; October, November and December 2013 paying E10 000 principal each month.

- How much interest was paid by the cooperative in total. [10 marks]
- If the cooperative had chosen to pay it back all at once, E30 000 in the month of December 2013 with the high returns from the festive sales. How much interest would they have paid? [10 marks]
- Between the two, which option would have been the cheapest in repaying the E30 000 loan? [5 marks]

**[25 marks]**

**QUESTION 3**

A. A farmer has been advised by the bank to prepare a partial budget to support his proposed enterprise. Using the format for presenting a partial budget to explain, help this farmer understand what is expected of him. [10 marks]

B. All farm records captured in farm business, they are useless if they are never analysed to inform the farm management decisions. Briefly discuss five [5] analysis that a farm manager can perform on farm records, identifying the farm records essential for each analysis.

[15 marks]

[25 marks]

**QUESTION 4**

A. Farm managers are expected to prepare a farm plan and a farm budget as tools that guide their operations. Differentiate between the two tools.

[5marks]

B. Farm Inventory directs the farm plan and enables farm budgeting. Discuss any five classes of farm inventory that a farmer should take note of.

[10marks]

C. Farm inventories need to be valued each year so they can be best accounted for and considered in the farm projections. Discuss five valuation methods that a farm manager can use. [10marks]

[25 marks]