



2nd SEM. 2014/2015

UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

MARKING GUIDE

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) HOURS

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

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BY THE CHIEF INVIGILATOR**

QUESTION 1

The sugar cane farmers in Swaziland have observed that when they plough back their earning in the same piece of land through using more inputs harvest responds negatively. It does not correspond to the initial application when the land was with no input applied to it.

- a. Explain to the farmers the economic principle that applies when the yields are responding to such added investment. [10marks]
- b. Using a graphic illustration the relationship between TPP, MPP and APP when such a situation exists. [10marks]
- c. Show on the above illustration where these farmers can optimise their profit. [5marks]

[25 marks]

QUESTION 2

Farmer Maphosa bought a ford bakkie for E230 000.00 in 2013, it has a lifespan of 5years and has salvage value of E40 000.00. The cost of capital is 10%, annual property taxes are E800 and annual insurance is E5 000.

- a. If Maphosa used the double declining method for the bakkie, tabulate the annual depreciation for this asset. [10marks]
- b. Compute the annual ownership costs for the bakkie [8marks]
- c. Described types of farm loans as given by the length of payment as well as on the use of the loans. [7marks]

[25 marks]

QUESTION 3

Continued farm investments help in growing the farm business, a desirable attribute for local economic growth. However, the growth in farm size when unmonitored can be detrimental to the profitability of the farm business.

- a. Discuss the possible scenarios evident when the returns to size are analysed in the long-run. [10]
- b. Understanding of the drivers of economies of size is important for farmers as they invest and use their farms. Discuss five [5] causes explaining how the adoption of each will help the farm increasing returns to his farming scale. [15]

[25 marks]

Question 4

To start his baby vegetable project, Lwazi borrowed E10 000.00 from the Youth Fund in April 2014. The interest rate applicable is 8% and he promised to pay it out completely after his first harvest, September 2014.

- a. How much interest did he pay when he paid the money all at once in September 2014? [6marks]
- b. Assuming he had withdrew money; E3 000.00 in April, E3 000.00 in June and E4 000.00 in July 2014. How much interest would he pay in September 2014? [8marks]
- c. Would Lwazi have saved himself money if he had paid the lump sum in September after withdrawing E5 000.00 in April and E5 000.00 May 2014? [4marks]
- d. Which other options exist for Lwazi for financing his project other than the Youth fund? [7marks]

[25 marks]