



SUPP. 2015/2016

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UNIVERSITY OF SWAZILAND

SUPPLIMENTARY EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness Management

COURSE CODE: AEM 103

TITLE OF PAPER: INTRODUCTION TO AGRIBUSINESS ACCOUNTING

TIME ALLOWED: TWO HOURS

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

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THE CHIEF INVIGILATOR**

QUESTION 1

- a. Discuss with relevant examples, the factors that influence the type of records a business needs to keep. **12 MARKS**
- b. Calculate the prime cost for a production unit from the following particulars: E30,000 as cost of material purchased; E5,000 as rent for hiring a special machine for production; E6,000 as opening stock of material; E4,000 as closing stock of material; and E3,000 as wages paid. **13 MARKS**

QUESTION 2

- a. Describe any 3 limitations of budgeting. **7 MARKS**
- b. Assume the following events: **18 MARKS**
 - (i) Agreed (verbally) to purchase a used tractor from Agri-mech.
 - (ii) Paid E6, 500 for 10 bags of fertilizer.
 - (iii) Received E45 payment under the warranty.
 - (iv) Paid license and taxes of E275.
 - (iv) Bought new tractor tires for E450 on account.
 - (v) The sales manager kindly transferred the warranty to the second vehicle.

Identify which of the above events should be reported on the following financial statements:

- 1. The cash basis of Accounting
- 2. The Accrual basis of Accounting
- 3. Both methods
- 4. Neither method

QUESTION 3

- a. Fill in the blanks about the General Accepted Accounting Principles (GAAP) **18 MARKS**
 - i. _____ financial statements are prepared assuming that the company is a going concern which means that the company intends to continue its business and is able to do so.
 - ii. _____ sale transaction will be recorded in the books of Firm B only when the goods are delivered & not upon the receipt of an enforceable purchase order from Firm A.
 - iii. _____ implies recording of revenue and expenses of a particular accounting period whether they are received/paid in cash or not.
 - iv. _____ Assets = Liabilities + Owners' equity
 - v. _____ when goods are purchased on hire-purchase basis, the property in goods is transferred to the buyer on the payment of the last installment only.
 - vi. _____ accounting practices should remain the same from one year to another.

b. Which product among the 3 in the table below is more profitable? Use the information in the table to justify your answer. What conclusion can be drawn from the information about the products? **7 MARKS**

| PARTICULARS | PRODUCT A | PRODUCT B | PRODUCT C |
|----------------------------|---------------|----------------|---------------|
| Sales | 80,000 | 250,000 | 90,000 |
| Variable Costs: | | | |
| Factory Cost | 40,000 | 174,000 | 76,500 |
| Selling & Admin Cost | 14,000 | 14,000 | 7,000 |
| Total MC | 54,000 | 188,000 | 83,500 |
| Contribution (Sales-MC) | 26,000 | 62,000 | 6,500 |
| Fixed Cost | 8,500 | 19,200 | 9,800 |
| Profit (C-FC) | 17,500 | 42,800 | 3,300 |
| Profit-Volume Ratio | 32.5% | 24.8% | 7.2% |

QUESTION 4

a. A manufacturing firm supplies you with the following information:

| | Product Cabbage (E) | Lettuce (E) |
|-----------------------------|---------------------|-------------|
| Direct material per unit | 16 | 14 |
| Direct wages paid | 5 | 4 |
| Variable expenses (wages) | 5 | 4 |
| Fixed expenses (E1,300) | | |
| Sales price per unit | 32 | 26 |

Sales-mixtures are as follows:

- i. 400 units of Cabbages and 400 units of Lettuce
- ii. 500 units of Cabbages and 300 units of Lettuce
- iii. 600 units of Cabbages and 200 units of Lettuce

You are required to prepare the **marginal cost per unit** to show **contribution per unit** and suggest the **sales mix** which optimizes profits. **15 MARKS**

b. Describe the differences between balance sheet and income statement. **10 MARKS**