



2nd SEM. 2016/2017

UNIVERSITY OF SWAZILAND
FINAL EXAMINATION PAPER

PROGRAMME:

B.Sc. in Agricultural Economics & Agribusiness Management 2

B.Sc. in Agricultural Bio-systems Engineering 2

B.Sc. in Agricultural Education & Extension 2

B.Sc. in Agronomy 2

B.Sc. in Animal Science 2

B.Sc. in Animal Science –Dairy option 2

B.Sc. in Horticulture 2

COURSE CODE:

AEM 208

TITLE OF PAPER:

Farm Management

TIME ALLOWED:

TWO (2) HOURS

INSTRUCTION: 1.

ANSWER ALL FOUR QUESTIONS

2.

EACH QUESTION CARRIES 25 MARKS

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Question 1

Farmer Zitha seeks to buy a new farm and he has hired your expertise to help him evaluate if it is worth buying through assessing its potential.

- A. Define the purpose of collecting farm information as you seek to evaluate the potential of the farm. [8marks]
- B. Discuss the type of resources that can be found in a farm, giving two examples of each. [6marks]
- C. The owner of the farm only used cash accounting system for his records. Discuss the advantages that are associated with this type of system and how it will affect your assessment of the farm performance. [6marks]
- D. Define the five methods available to help you value the assets in the farm. [5marks]

[25marks]

Question 2

A salesman at Khuba traders advised a farmer that the use of farm inputs has no limit, 'as long as you desire more yield, use more farm inputs', they said.

- A. From your understanding of the laws of diminishing returns, how does the benefit from use of additional inputs behave? [6marks]
- B. Define marginal analysis and its application to the analysis of diminishing returns. [10marks]
- C. Using economic principle, define the principle that guides as a decision rule for the following conditions.
 - A. When allocating a limited amount of inputs on different farm enterprises. [3marks]
 - B. Deciding how much to use of a single input [3marks]
 - C. Deciding input substitution [3marks]

[25marks]

Question 3

In business, maintaining both solvency and liquidity is fundamental. However, your over ambitious friend does not believe so, he believes you should spend as you wish to show off that you are a business man and borrow money to pay-off farm debts.

- A. Distinguish between solvency and liquidity as observed in farm business. [6marks]
- D. Define two ways of measuring solvency and liquidity respectively. Give an explanation for each measure. [6marks]

- E. Define the factors that affect liquidity of a farm business. [8marks]
F. What is wrong with your friend's belief? [5marks]

[25marks]

Question 4

In farming, planning is very important because all resources are fixed in the short run. The choice of enterprises to implement per given time period is very important for the success and future of the farm.

- A. Describe the process of farm planning and how it results in an enterprise budget. [12marks]
G. Describe how whole planning is different from a partial budget. [6marks]
H. Describe what is meant by opportunity cost and state what is the opportunity costs of capital and that of labour. [7marks]

[25marks]