

2nd SEM. 2018



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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural and Biosystems Engineering Year II
BSc. in Agricultural Economics and Agribusiness Management Year II
BSc. in Agricultural Education Year II
BSc. in Agricultural Extension Year II
BSc. in Agronomy Year II
BSc. in Animal Science Year II
BSc. in Animal Science- Dairy Year II
BSc. in Horticulture Year II

COURSE CODE: AEM 208

TITLE OF PAPER: FARM MANAGEMENT

TIME ALLOWED: 2: 00 HOURS

INSTRUCTION: 1. ANSWER ALL FOUR QUESTIONS

2. EACH QUESTION CARRIES 25 MARKS

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CHIEF INVIGILATOR

Question 1

Circle the right answer, each question has three (3) marks

- a. A vision statement for a company is:
- the same as the company's objective.
 - A detailed plan that outlines the major organizational structure of the firm.
 - An aspiration of the direction the company wants to go.
 - The same as the mission statement.
- b. Technical coefficients become very important in determining _____
- Gross margin
 - Cost of production
 - The maximum size of the enterprise
 - All of the above
- c. Which of the following is not one of the formats in the partial budget structure?
- Additional cost
 - Reduced revenue
 - Additional gross margin
 - Net change in profit
- d. _____ is an example of a non-depreciable asset.
- Tractor
 - Land
 - Building
 - None of the above
- e. Which of the following is not one of the areas for investigation for farm business analysis?
- Farm size
 - Efficiency
 - Depreciation
 - Profitability
- f. Illustrate the three stages of production function and indicate at which stage the farmer produces at the highest efficiency. (10 marks)

Question 2

Define the following economic concepts you learnt in class.

- a. Law of diminishing returns (5 marks)
- b. Time value of money (5 marks)
- c. Strategic management (5 marks)
- d. Asset Valuation (5 marks)
- e. Planning as a function of management (5 marks)

Question 3

- a. Mr Dlamini bought a harvester for E45,000. Calculate the yearly and monthly straight-line depreciation expense for the equipment if it has a life time of 10 years and has a salvage value of E5,000 (15 marks).

- b. A farm manager wants to enter the yellow maize market. The total fixed cost is E50,000 and TVC is E5.00/unit. The company expects to sell 10,000 tons of the yellow maize and the current price of yellow maize is E15/ton. Calculate the break-even price for the yellow maize. (10 marks)

Question 3

- a. Mrs Shongwe has two investment alternatives, Investment A and B. Each require E5,000 to set up. The annual revenue for each investment and the life time period is shown below.

Year	Investment A	Investment B
1	2000	1000
2	2000	1500
3	2000	2000
4	2000	2500
5	2000	3500

Which investment alternative should Mrs Shongwe select? (8 marks)

- b. Use the information in Table 4 to calculate the simple rate of return and the payback period for the two investment alternatives. Which investment should Mrs Shongwe select? (8 marks)
- c. Describe any 3 sources of capital a farmer can use in his/her farm enterprise. (9 marks)

Question 4

- a. Describe the three types of loans you learnt in class. (15 marks)
- b. Making risky decisions require careful consideration of the various strategies available and the possible outcomes of each. State the steps you need to take when making decisions under risk. (10 marks)