

2nd SEM. 2019



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UNIVERSITY OF ESWATINI

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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Question 1

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

- a. The following terms are used to classify farm management decisions.
 - i. Importance
 - ii. Relevancy
 - iii. Imminence
 - iv. All of the above

- b. The following are common methods for determining an asset's value:
 - i. Net present value
 - ii. Comparing the asset to similar assets
 - iii. Evaluating the cash flow potential
 - iv. Linear programming

- c. If the depreciable item loses value per year early in its life, you would use:
 - i. Straight line method
 - ii. Units of production depreciation
 - iii. Declining Balance
 - iv. Sum-of-the-year's digits

- d. Any item of value is
 - i. Debt
 - ii. Personal
 - iii. Capital
 - iv. Asset

- e. Which of the following is one of the ways of classifying agricultural loans?
 - i. Payback period
 - ii. Use of funds
 - iii. Time value of money
 - iv. Interest rate

- f. Variable interest rates are preferred over fixed interest rate because:
 - i. They have a fixed rate for the entire length of the loan.
 - ii. Are adjusted periodically.
 - iii. Reflect the true cost of borrowing.
 - iv. All of the above

- g. List for methods used to form expectations about future events. (4 marks)

Question 2

- a. Assume that a E50,000 loan will be repaid in 5 annual payments at 4% annual interest on the outstanding balance. How much principal and interest will be due in the 1st payment if the loan is amortized with equal principal payments? (10 marks)
- b. State whether each of the following business measures relates to profitability, measures of size and efficiency. (8 marks)
- i. Return to management
 - ii. Livestock return per E10,000 of feed fed
 - iii. Total farm assets
 - iv. Asset turnover ratio
- c. TRUE OR FALSE QUESTIONS (7 marks)
- i. Personal and non-farm cash revenue are included in the cash flow budget _____.
 - ii. Depreciation is not included on a cash flow budget _____.
 - iii. An example of a variable expense is the farm manager's monthly salary _____.
 - iv. Tactical farm management is charting the overall long term course _____.
 - v. E5000 of income today is worth the same as E5000 income a year from now _____.
 - vi. Equity, past financial experiences, the size of potential gains or losses, influences the amount of risk producers are willing to _____.
 - vii. Partial budgeting can be used to develop a whole-farm plan _____.

Question 3

- a. A firm uses fertilizer, labour and seeds to produce maize crop. Suppose that when the quantity of labour and seeds is fixed, the relationship between the quantity of fertilizer and the number of tons of maize produced is given by the following table:

Kilograms of Fertiliser	Tons of Maize
0	0
1	500
2	1000
3	1700
4	2200
5	2500
6	2600
7	2500
8	2000

Complete the table and identify the three stages of production. (20 marks)

- b. If payback period is 3.34 years and uniform increases in cash flows per year is E2,050,000. Show all calculation and calculate the net initial investment. (5 marks)

Question 4

Define the following terms as explained in class, give examples where applicable. (25 marks)

- a. Farm management
- b. Straight line depreciation
- c. Linear programming
- d. Net Present Value
- e. Marginal Value Product