

2<sup>nd</sup> SEM. 2019



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UNIVERSITY OF ESWATINI  
RE-SIT/SUPPLEMENTARY 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**

- a. List the items that form the partial budget statement format. (10 marks)
- b. What are the 3 steps in the control function of farm management? (6 marks)
- c. State the reasons that justify the need to manage a farm. (5 marks)
- d. Would you classify the following decisions as strategic or tactical? (4 marks)
  - i. Deciding whether a field is too wet to till.
  - ii. Deciding whether to sell maize now or later.
  - iii. Deciding whether to take a partner into the business.
  - iv. Deciding to specialize in dairy or beef production.

**Question 2**

- a. Mr Dlamini's enterprise budget indicate a yield of 460 tonnes, selling price of E1180 per tonne, variable cost of E3000 and E5000 as fixed cost. What is the cost of production? What is the break-even yield? (10 marks)
- b. Assume you are a beginning farmer and need capital to purchase breeding livestock for your new enterprise. What information and material would you need to provide a lender to improve your chances of getting a loan? (5 marks)
- c. Describe one important risk management tool or strategy that will help cope with each of the following types of risk on a farm. Give an example for each. (10 marks)
  - i. Production risk
  - ii. Financial risk

**Question 3**

- a. Partial budgeting is designed to analyse relatively small changes in the farm business. Label the following graphs and describe using an example how typical changes analysed by partial budgeting relate the following functions. (15 marks)

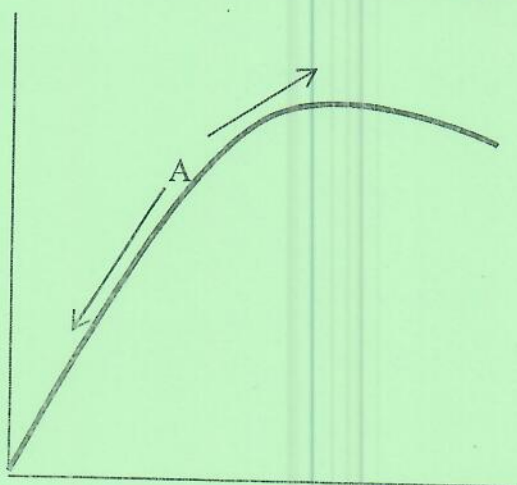


Figure A:

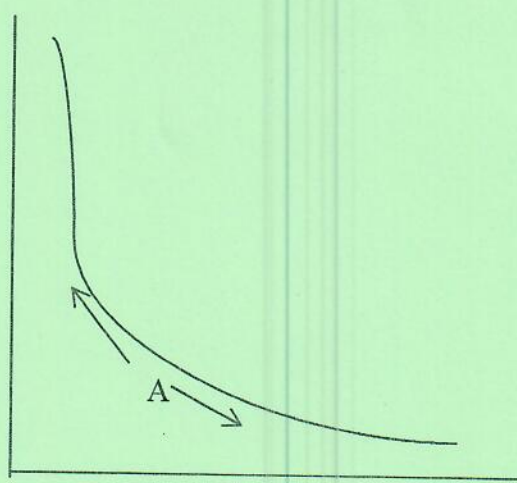


Figure B:

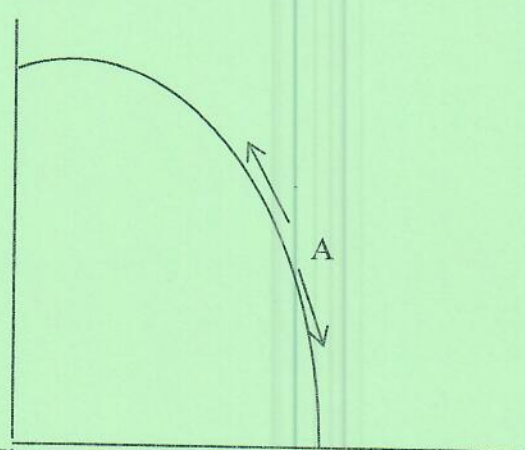


Figure C:

b. Does a positive cash flow mean profit? (10 marks)

Question 4

1. TRUE OR FALSE QUESTIONS (2 marks each)

- i. A cash flow budget is used to show the profit from the business. \_\_\_\_\_
- 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. Taxes and insurance are examples of fixed costs \_\_\_\_\_
- v. Opportunity cost is not an important economic concept. \_\_\_\_\_
- vi. Partial budgeting can be used to develop a whole-farm plan \_\_\_\_\_
- vii. The Internal Rate of Rate must be less than the discount rate (*i*) \_\_\_\_\_
- viii. The true cost of borrowing can be estimated by calculating the IRR. \_\_\_\_\_

2. Explain the concept of "small size" in relation to making management decisions in the agriculture sector. (9 marks)