

2nd SEM. 2019



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UNIVERSITY OF ESWATINI
FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness

Management Year IV

BSc. in Agronomy Year IV

COURSE CODE: AEM 408/406

TITLE OF PAPER: AGRIBUSINESS 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. What are the principle activities of purchasing? (10 marks)
- b. What are the advantages of a manufacturer selling directly to a farmer rather than to a distributor? (10 marks)
- c. Why do accountants usually value assets at their cost or market value, whichever is lower? (5 marks)

Question 2

- a. Do agribusiness managers need different skills than managers in other businesses? Explain using practical examples. (10 marks)
- b. Use the information in Table 1 and Table 2 to calculate and interpret the following financial ratios for STI.

Table 1: Smiling Through Investment (STI) condensed balance sheet ending 31 December 2018

Assets		Liabilities & Equity	
Current Assets		Current Liabilities	
Cash	855,000	Accounts payable	241,500
Account Receivable	349,000	Notes payable	282,500
Inventory	448,500	Total current liabilities	524,000
Total Current Assets	883,000		
Total Fixed Assets	1,241,000	Long-term liabilities	1,000,000
		Total Liabilities	1,524,000
		Owner's Equity	
		Owner's contribution	500,000
		Retained earnings	100,000
		Total owner's equity	600,000
Total Assets	E2,124,000	Total liabilities & Owner's Equity	E2,124,000

Table 2: Smiling Through Investment Condensed Income Statement

Net Sales	2,607,500
Cost of Goods sold	1,642,725
Gross Margin	964,775
Operating expenses	6,012,115
Administrative expenses	160,323
Other expenses	400,805
Total operating expenses	801,615
Net operating income	163,160
Interest expense	76,200
Net income before Tax	86,960
Income tax	21,240
Net income after Tax	65,720

- i. Return on Equity (5 marks)
- ii. Acid Ratio (5 marks)
- iii. Days sales in account receivables ratio (5 marks)

Question 3

- a. Discuss any two internal factors to an agribusiness firm which can affect the agribusiness manager's ability to achieve set objectives of the firm. Give examples (12 marks)
- b. Sindi is running her farming enterprise. She is considering purchasing a fertilizer applicator or expanding the grain storage. The expected cost of the fertilizer applicator is E5000 and E7000 for expanding the grain storage. Help Sindi decide on these 2 investment alternatives using the information in the table.

Year	Fertilizer applicator cash flows		Expansion of grain storage	
	Net Cash Flows before Depreciation (E)	Depreciation (E)	Net Cash Flows before Depreciation (E)	Depreciation (E)
1	7500	1500	3500	750
2	7000	1500	3500	750
3	6500	1500	3500	750
4	5400	1500	3500	750
5	4000	1500	3500	750

Calculate the payback period for each investment. Which investment should she consider and why? (13 marks)

Question 4

- d. How is the greenfield investment method better than the acquisition method of entering the international market. (12 marks)
- e. Illustrate using a diagram the operations management system. (13 marks)