KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

KBT 208: FARM MANAGEMENT

DATE: WEDNESDAY, 4TH APRIL 2012 **TIME: 11.00 A.M. – 1.00 P.M.**

INSTRUSTIONS: ANSWER QUESTIONS **ONE** AND ANY OTHER **TWO**.

Question 1:

a. Define the following:

   i. Supplementary enterprises
   ii. Net worth statement
   iii. Crop yield index
   iv. Land efficiency
   v. Variable costs (5 marks)

b. Explain the significance of farm management to African agricultural development.(4 marks)

c. Distinguish between risk and uncertainty. (2 marks).

d. State the law of diminishing returns in terms of (a) total physical product (b) marginal physical product (c) average physical product. (6 marks)

e. Explain the interrelationships among the key aspects of decision making (5 marks).

f. Explain the advantages of keeping farm records. (5 marks).

g. Decide whether a piece of land with market price of kshs.100, 000 is worth buying or not if it is expected that annual earnings from the land is Kshs. 10, 000 and rate of discount is 8%. (4 marks)

h. Using the sum-of-years digits, the depreciation of an asset in the first year is given by Kshs. 728. The length of the asset is 9 years and the salvage value is Kshs. 100.

   i. What is the cost price of the asset? (4 marks)

ii. From the cost price of the asset (part a), calculate the depreciation in the second and third years of its life. (2 marks)

i. Describe the key stages of production. (3marks)

Question 2: A farm has the following information, farm size, revenues and specific costs relating to cowpeas, ground nuts, maize and millet enterprises.

Crop	land size (ha)	estimated value of crop (Kshs)	Total variable /specific costs (Kshs)
Cowpeas	3.0	60,000	24,000
Groundnuts	2.0	24,000	11,200
Maize	4.0	58,000	18,000
Millet	3.0	25,500	7,800

a. Calculate gross margin per cropped ha for each crop. (2 marks)

This farmer has a poultry farm of 320 birds with variable costs totaling Kshs. 3,000 per month. His revenue from the birds is estimated to be Kshs. 6,500 per month. He also owns a swine enterprise for which the variable cost per month is Kshs. 2,000. His estimated annual return is Kshs. 36, 000. Compute the yearly gross margin for his livestock enterprises. (3 marks)

b. Compute the net farm income for this farmer if the fixed costs are as follows:

	Value (Kshs).	Salvage value (Kshs.)	Years of life
Implements	40,000	5,000	5
Equipment	60,000	5,000	5
Buildings	200,000	20,000	10

Permanent labour costs him Kshs. 2,000 p.a.

NB: Use the straight-line depreciation method. (6 marks)

c. Discuss the significance of information in farm management.(4 marks)

Question 3:

a. Prepare the Net worth Statement for Mr. Juma's Farm given the information below:(5 marks)

		Kshs.
Cash in hand		12,000.00
Crops ready for sale (maize)		30,000.00
Account receivable now from Hassan		40,000.00
Eggs		10,120.00
Livestock:	Hens	4,000.00
	Sheep	25,000.00
	Bullocks	40,000.00
Machinery		222,000.00
Land		1,260,000.00
Building		320,000.00
Account payable now		140,000.00
Long-term loan		1,130,000.00
Intermediate debt		200,000.00
Owner's equity		440,000.00

b. Using the information from Mr. juma's farm, Calculate the following:

i. The Net Capital Ratio

ii. The Working Capital Ratio

iii. The Current Ratio

iv. Asset-debt Ratio

v. Comment about this farm judging from these ratios. (10 marks)

Question 4:

a. Labour is an important factor of production; explain the basis for labour management in farm business. (3 marks)

b. Discuss the methods of managing risks and uncertainties in the farming business (12 marks)

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