KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2010/2011

INSTITUTIONAL BASED PROGRAMME (IBP) – DECEMBER SESSION

EXAMINATION FOR THE DEGREE OF MASTER OF AGRIBUSINESS MANAGEMENT AND TRADE

KBT 529: AGRIBUSINESS PLANNING AND CONTROL STRATEGY

DATE: Thursday, 28th April, 2011 TIME: 2.00 p.m. – 5.00 p.m.

INSTRUCTIONS:

There are **SIX** questions. Answer question **ONE** and any other **THREE** questions.

1. a) Describe the problems that can occur when using only accounting information to analyze performance. (5 marks)

   b) Analyze possible actions that can be taken when problems are identified in the cash budget. (5 marks)

   c) Describe the actions an organization could take to improve Net Profit Ratio. (5 marks)

   d) Justify why strategic decisions are made by senior managers. (5 marks)

   e) Describe briefly the key sections of a Business Plan. (5 marks)

2. a) Describe briefly:

   i) Revenue

   ii) Net income

   iii) Retained earnings. Explain why retained earnings are transferred to owners' equity on the Balance Sheet after they are calculated. (5 marks)

b) Study the Cash Budget below and then answer the questions which follow.

Cash Budget of Munyao Enterprises for 3 months: January – March 2011

	January (Ksh)	February (Ksh)	March (Ksh)
Opening Balance	10,000	?	35,000
Cash In			
Sales	120,000	115,000	110,000
	130,000	145,000	145,000
Cash Out			
Raw Materials	70,000	80,000	85,000
Wages	10,000	10,000	10,000
Rent	12,000	12,000	12,000
Lighting/Telephone	8,000	8,000	8,000
Purchase of a new motorbike	0	0	100,000
	100,000	110,000	215,000
Closing Balance	30,000	35,000	(70,000)

c) i) State the opening balance in February. (1 mark)

ii) Assess what happened to the closing balance in March. (1 mark)

iii) Examine ways Munyao Enterprises could increase sales. (3 marks)

iv) Identify and justify TWO ways Munyao Enterprises could reduce Cash Out. (2 marks)

v) Give THREE reasons why Munyao Enterprise has prepared a Cash Budget. (3 marks)

3. a) Assess the differences between liquidity and solvency in a business. (5 marks)

b) Use an example to explain how the Profit-and-Loss statement differs from a Cash Flow statement for a business. Which one is more important to a business? Explain your answer. (10 marks)

4. a) Explain the limitations of using accounting ratios. (5 marks)

b) Discuss the main requisites for success in a modern business.

(10 marks)

5. a) Explain why firms can have a healthy profit but experience cash flow problems. (5 marks)

b) Discuss the basic steps of Capital Budgeting. (10 marks)

6. a) Describe the following items shown on a Balance Sheet:

i) Current Assets

ii) Notes Payable

iii) Long Term Liabilities

iv) Account Receivable, and

v) Owners' Equity

(5 marks)

b) Using an example evaluates the main components of a marketing plan.

(10 marks)