



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS AND
RESOURCE MANAGEMENT**

COURSE CODE: ARE 351

COURSE TITLE: FARM BUSINESS MANAGEMENT I

DATE: 26TH APRIL, 2018

TIME: 08.30 - 10.30AM

INSTRUCTIONS TO CANDIDATES

- Question **ONE** is compulsory.
- Answer any other **THREE** questions.

This paper consists of 3 printed pages. Please turn over.

- 1) a) Explain the basic economic decisions a farm manager is faced with. **(4 Marks)**
 b) Describe the steps involved in constructing a partial budget. **(6 Marks)**
 c) Discuss five methods of managing risks and uncertainties in farm business. **(5 Marks)**
 d) Explain the advantages of keeping records in farm business management. **(5 Marks)**
 e) Given an asset initial cost of KShs. 200,000, a salvage value of KShs. 20,000 and expected useful life of 5 years. Using Sum-of-years digit depreciation method compute the value of the asset for each year of its useful life. **(5 Marks)**
- 2) Using the following farm data, compute the crop yield index for the farm and explain your answer. **(15 Marks)**

Crops	Area (Ha)	Actual Yield (Kg/Ha)	Industry Average Yield (Kg/Ha)
Maize	6	8,000	9,000
Beans	2	6,000	5,600
Millet	5	1,200	1,250
Sorghum	4	5,500	6,000
cowpeas	3	5,000	4,000

- 3) Discuss the role of farm business management to Kenya's developing economy. **(15 Marks)**
- 4) You are provided with the data regarding Kamau's Farm for the period 1st January, 2017 to 31st December, 2017.

Net Sales	38,000,000
Cost of Sales	25,600,000
Operating Expenses	11,330,000
Depreciation	470,000
Interest	465,000
Taxes	64,000

- a) Prepare an Income Statement for the Farm. **(9 Marks)**
- b) Compute and explain the following with respect to the Farm.
- (i) Times Interest Earned Ratio. **(2 Marks)**

(ii) Profit Margin. (2 Marks)

(iii) Return on Equity (Assume equity = 1,000,000) (2 Marks)

5) You are provided with the following information regarding Onyango's Farm as at 31st December, 2017.

Item	Amount (KShs '000)
Cash in hand	1,200
Crops ready for sale (maize)	3,000
Account receivable now from Kamau	4,000
Eggs	1,012
Chicken	400
Sheep	2,500
Bullocks	4,000
Machinery	22,200
Land	126,000
Building	32,000
Account payable now	14,000
Long-term loan	113,000
Intermediate debt	20,000
Owner's equity	44,000

a) Prepare the Balance sheet/Networth Statement for the farm. (9 Marks)

b) Calculate and explain the following ratios with respect to the farm:

(i) Current ratio. (2 Marks)

(ii) Working Capital ratio. (2 Marks)

(iii) Net Capital ratio. (2 Marks)

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