



## MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

P.O. Box 972-60200 Meru - Kenya. Tel: 020-2092048, 020 2069349  
Fax: 020-8027449

### University Examinations 2010/2011

#### SECOND YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN AGRICULTURAL EDUCATION AND EXTENSION

#### BUS 260: FARM BUSINESS MANAGEMENT AND ACCOUNTING

DATE: AUGUST 2010

TIME: 1½ HOURS

INSTRUCTIONS: Answer *Question one* which is *Compulsory* and any other *two* questions

#### QUESTION ONE – (30 MARKS)

- (a) State the importance of keeping farm records. (5 Marks)
- (b) Explain the business cycle of accounting. (6 Marks)
- (c) Explain the uses of:
  - (i) Local purchase order.
  - (ii) The journal.
  - (iii) The inventory. (6 Marks)
- (d) Briefly discuss the following:
  - (i) Partial budgeting
  - (ii) Complete budgeting
  - (iii) Break-even analysis
  - (iv) Gross margin budgeting. (8 Marks)
- (e) State the functions of a farm manager. (5 Marks)

#### QUESTION TWO – (20 MARKS)

You are provided with the trial balance for XYZ farm for the period ended 31<sup>st</sup> December 2000.

	Ksh	Ksh
Premises	150,000	
Purchases	393,800	
Creditor		49,100
Wage	52,500	
Motor car	58,000	
Sales		560,500

Capital		300,000
Drawings	42,200	
Furniture	25,000	
Returns inwards	11,500	
Returns outwards		17,300
Rates	16,800	
Opening stock	44,400	
Discount allowed	11,100	
Discount received		23,400
General expenses	29,400	
Carriage inwards	38,900	
Carriage outwards	16,400	
Advertisement	7,400	
Bank loan		16,900
Cash	3,300	
Postage fees and electricity	9,800	
Debtors	<u>56,700</u>	<u>          </u>
	<u>967,200</u>	<u>967,200</u>

Required:

- (a) Prepare a profit and loss account. (10 Marks)  
(b) Prepare a balance sheet. (10 Marks)

**QUESTION TWO – (20 MARKS)**

- (a) A farmer in Mau is contemplating on replacing Wheat farming with Barley. He observes that fixed costs will hardly change but variable costs and revenue will change. You are provided with the following information.

Item	Barley (Ksh)	Wheat (Ksh)
Fertilizer	4,000	6,000
Chemicals	3,000	1,000
Labour	10,000	11,000
Storage	5,000	7,000
Transport	6,000	4,000
Machinery	12,000	15,000
Sales	80,000	90,000

Required:

- (i) What type of budget is suggested by the above information? (2 Marks)

- (ii) Prepare the budget. (10 Marks)
- (iii) Advise the farmer. (2 Marks)
- (b) State the differences between variable costs and fixed costs. (6 Marks)

**QUESTION FOUR – (15 MARKS)**

- (a) Explain the various methods of minimizing risks and uncertainties in Agriculture. (10 Marks)
- (b) Explain the following terms:
  - (i) Cash flow analysis
  - (ii) Self liquidate loan
  - (iii) Outstanding loan
  - (iv) The interest (5 Marks)

**QUESTION FIVE – (15 MARKS)**

Explain the functions of a farm manager of a multipurpose farm. (15 Marks)