



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2018/2019 ACADEMIC YEAR
FOURTH YEAR FIRST SEMESTER**

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

COURSE CODE: ARE 451

COURSE TITLE: FARM BUSINESS MANAGEMENT II

DATE: 6TH DECEMBER 2018

TIME:8.30 - 10.30A.M.

INSTRUCTIONS TO CANDIDATES

Question **ONE** is compulsory.

Answer any other **THREE** questions.

This paper consists of 2 printed pages. Please turn over.

QUESTION ONE

- a) Explain the importance of farm business management on Kenya's economy. **(7 Marks)**
- b) Outline factors to consider when estimating the amount of fixed capital for a farm business. **(5 Marks)**
- c) Explain four basic economic decisions faced by farm business managers. **(5 Marks)**
- d) Identify and explain the most common benefits associated with increased value of output in farm agricultural projects. **(8 marks)**

QUESTION TWO

You are provided with the following information regarding Maasai Mara University Farm as at 31st December, 2017.

S/No.	Item	Amount (KShs.)
1	Cash in hand	1,200,000
2	Land	126,000,000
3	Account receivable now	4,000,000
4	Layer Chicken	400,000
5	Breeding Sheep	2,500,000
6	Eggs ready for sale	1,000,000
7	Land	126,000,000
8	Breeding Bullocks	4,000,000
9	Buildings	32,000,000
10	Account payable now	14,000,000
11	Loan payable in 15 years	113,000,000
12	Crops ready for sale	3,000,000
13	Machinery	22,000,000
14	Loan payable in 4 years	20,000,000

- a) Prepare the Net-worth 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.
- iii) Net Capital ratio.

(2 Marks)
(2 Marks)

QUESTION THREE

You are provided with the following information recorded between 1st January and 31st December 2017 regarding an agricultural business.

Inventory Record:	Opening (KShs)	Closing (KShs)
Sheep	144,000	100,000
Chickens	150,000	350,000
Ducks	50,000	60,000
Grains	240,000	260,000
Fertilizers	100,000	80,000
Goats	120,000	160,000
Sales record:	KShs.	
Livestock	44,000	
Chickens	150,000	
Eggs	200,000	
Cotton	600,000	
Groundnuts	300,000	
Sorghum	400,000	
Cost record:		
Seeds	50,000	
Fertilizer	150,000	
Hired labour	200,000	
Feeds	120,000	
Taxes	10,000	
Permanent staff	300,000	
Repairs on buildings	50,000	
Interest on debt	60,000	
Home Consumption record:		
Sorghum	600,000	
Vegetables	50,000	
Maize	420,000	

Compute the following and explain your answer;

- a) Net Farm Income (Showing all the components).
- b) Gross Ratio.

(9 Marks)
(2 Marks)

c) Operating Ratio.

(2 Marks)

d) Fixed Ratio.

(2 Marks)

QUESTION FOUR

Describe the following components of a farm business plan;

a) Marketing plan.

(5 marks)

b) Production plan.

(5 marks)

c) Financial plan.

(5 marks)

QUESTION FIVE

Evaluate five methods of reducing risks for a farm business.

(15 Marks)

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