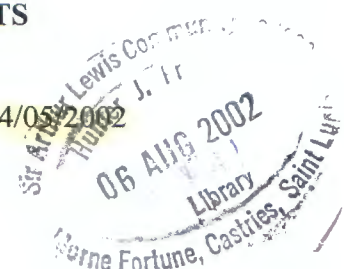


**SIR ARTHUR LEWIS COMMUNITY COLLEGE**  
**DIVISION OF AGRICULTURE**

**FINAL EXAM SEMESTER II – YR II DIPLOMA STUDENTS**

**Course:** Farm Business Management II – FBM522  
**Duration:** 2¼ Hours

**Date:** 14/08/2006



**Please Answer All Questions**

1. a) Briefly describe three ways by which a farm manager can recruit new hired labour
- b) Upon employing new labour, describe the mechanisms and systems a manager must put in place to ensure adequate worker motivation. **(12 marks)**
  
2. At December 31<sup>st</sup> 2001, an aquaculture and pig farm operation was being operated on 4 acres of land valued at \$12500 per acre. The business has \$35,000 in the bank. All assets used on the farm are owned by the business and the farm depreciates its buildings at 9% per annum and breeding stock, vehicles, other equipment and machinery at 15% using the straight-line method.
 

The farm has two pens covering a total of 5000 square feet. The pens were built two years ago at a cost of \$25.00 per square foot. The farm also owns a 2-year old truck that was purchased new for \$65,000 and pump and small equipment purchased new for \$29,000 two years ago. The breeding stock on the farm is also 2 years old and was purchased for \$35,000. The ponds were also constructed two years ago at a cost of \$24,000. The useful life of the vehicle, equipment and breeding stock is 5 years with an estimated 10% salvage value. Buildings have a useful life of 15 years and the pond 10 years. Salvage value is considered negligible.

The farm was established 2 years ago with the owners' resources and a \$150000 ammortized loan. The ammortization factor for the loan is 0.173 and is to be repaid in equal annual installments of principal and interest over 15 years with no moratorium. The loan is repaid in semi annual installments of \$ 22000.

The farm is owed \$25,000 by buyers and owes \$11,000 to various suppliers. Using the relevant format, prepare a balance sheet for the farm and comment on its liquidity and solvency. **(22 marks)**
  
3. What is the WTO and what is its role in international trade? As a banana farmer in St. Lucia, describe the main impacts that the new international trade environment will have on your business and discuss the measures you can take to alleviate these impacts. **(12 marks)**
  
4. a) What is meant by the three R's of credit
- b) Give a brief description of the types of collateral that can be used in obtaining an agricultural loan.
- c) Briefly describe the differences in credit policy for agricultural lending between credit unions and commercial banks in St. Lucia. **(12 marks)**
  
5. A producer of eggs has experienced losses and is attempting to change the situation. It costs him \$ 2.10 in labour, materials and other variable expenses to produce each dozen eggs. The total fixed cost of running the operation are \$ 29,400 and he receives a selling price of \$4.75 per dozen eggs sold. Based on the above:
  - i. What is his contribution margin?
  - ii. What is the breakeven quantity of eggs?
  - iii. How many dozen eggs must be produced to generate a 25% profit?
  - iv. What happens to the breakeven quantity of eggs if fixed costs are reduced by 20%?

#M7

**(12 marks)**