



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

**COURSE: Agribusiness Management ABM 216**

**Time : 2 hours**

**April 2009**

#M45

**Instruction: DO QUESTION (1) AND ANY OTHER THREE**

1. (a) **Distinguish** between *a balance sheet and an income statement* 4 mks
- (b) M.Mark Ltd has the following items on its books as on March 31, 2009: capital \$18,000; Loan from T.Bob \$2,000; Creditors \$1,600; Fixtures \$3,500; Motor vehicle \$4,200; Stock of goods \$4,950; Debtors \$3,280; Cash at the bank \$6400; Cash on hand \$120.  
During the first week of April 2009 Mark
1. Bought extra stock of goods on credit \$700.
  2. Got paid in cash \$280 from a debtor.
  3. Bought extra fixtures by cheque \$1,000
- Prepare**
- (1) a balance sheet as on April 7, 2008 10 mks
  - (2) Calculate and interpret one ratio to determine (a) the liquidity (b) the solvency of the business. 6 mks
- (c) Human resource planning/management is just as critical to the firm's survival as production, finance and marketing.
- (i) **Define** the term human resource planning 2 mks
  - (ii) **List four** functions of a human resource manager. 4 mks
  - (iii) **Distinguish** between *job design and job analysis* 4 mks
  - (iv) **Define** job description and **four** two items that should form part of a job description. 6 mks
  - (v) **State two** purposes of human performance appraisals. 4 mks
2. (a) **Distinguish** between *budget and budgeting* 4 mks
- (b) **State three** ways in which budgeting assist the farmer 3 mks
- (c) Use the following information **to prepare a cash flow budget** for Fair Farm Ltd for the period December 31.
- | Credit transactions: | <u>Purchases</u> | <u>Sales</u> |
|----------------------|------------------|--------------|
| June                 | \$9800           | \$18600      |
| July                 | 9300             | 20000        |
| August               | 9000             | 20700        |
| September            | 9300             | 21300        |
| October              | 12800            | 26600        |
| November             | 14600            | 27900        |
| December             | 13800            | 29300        |
- i. The firm started business with a balance in hand of \$3800
  - ii. Monthly salaries and wages \$8000
  - iii. A subsidy of \$2000. is expected in August
  - iv. Capital investment in new machinery of \$5600 is planned for December
  - v. Other monthly cash expenses are estimated as \$21000 to the end of September and \$2700 afterwards
  - vi **Credit transactions have a credit period of two (2) months.** 13 mks
3. The success of a business to a large extent hinges on its ability to carefully analyze potential capital investments.
- (a) **Define** *investment analysis*. 2 mks
  - (b) **List four** methods that can be used to analyse and compare potential capital investments. 4 mks



- (c) Assume that you have \$20,000 to invest and must choose between the two investment options below. Analyse each using the net present value method at 10 % opportunity cost. Which investment would you select? Why? 14 mks

	Investment A	Investment B
Net cash revenue		
Yr 1	\$3000	\$1000
Yr2	\$3000	\$2000
Yr3	\$3000	\$3000
Yr4	\$3000	\$4000
Yr5	\$3000	\$6000

- 5 (a) What is **enterprise budgeting**?

2 mks

- (b) **State three** purposes of an enterprise budget

6 mks

The following is information about watermelon production. Use it to answer the questions which follow.

Items	Local maize/acre
Yield in kg/ha	4350 kg
Price/kg	0.75
<b>Variable costs</b> (\$)	
Seeds	40.00
Manure	30.00
Fertilizer	95.00
Chemicals	40.00
Transport	100.00
Labour, Harvesting,	470.00
<b>Fixed costs</b>	
Machinery, depreciation	350,
Land charge	100

- (i) **Calculate and give an interpretation** of the gross margin of this enterprise. 3 mks
- (ii) **Determine:** (a) cost of production (b) break even price (c) break even yield. 3 mks
- (iii) **Comment** on each result from (ii) above 3 mks
- (iv) If the land is owned, should a land charge be included in the budget? Why? 3 mks
- 6 (i) Complete the following table showing which account to be debited or credited for each of the following transactions.

Account to be debited	Account to be credited
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- (a) Bought lorry for cash (b) Paid creditors M.Blake by cheque (c) Sold cabbages for cash (d) Received loan of in cash from V. Gay (d) Put more in business by cheque. 5 mks
- (ii) You are to **complete and close** the necessary account for the month ending May 31, 2008.
- (a) May 1, Started business with capital in cash \$250.00
- (b) May 5, Bought goods on credit from: D. Ellis \$54; C. Jon \$80; D. Mac \$200.
- (c) May 7, Sold goods on credit to : A. Cools \$400; F. James \$260; D. Kate \$120.
- (d) May17, Paid rent in cash \$150.by cheque
- (e) May 19 T. Kay paid us \$150 by cheque
- (f) May 22, Paid for electricity by cheque \$98.
- (g) May 28, A. Cools paid in cash \$380.

15 mks

