

SIR ARTHUR LEWIS COMMUNITY COLLEGE

Division of Agriculture

END OF SEMESTER ONE EXAMINATION – December 2018/2019

PROGRAMME TITLE : General Agriculture – Associate Degree – Year Two
COURSE TITLE : Farm Management
COURSE CODE : FRM111
DATE : 17th December, 2018
TIME : 9:00 am
DURATION : 2 hours
ROOM : OTW – Room 5
INVIGILATOR(S) :

INSTRUCTIONS:

THIS EXAMINATION CONSISTS OF TWO SECTIONS-

SECTION A AND SECTION B. ANSWER ALL QUESTIONS.



SECTION A

INSTRUCTIONS: Determine which statements are TRUE and which statements are FALSE. Give a reason for your response. Every question is worth (2 marks)

1. Crop diversification reduces market risk in farming.
2. The decision to hire an additional unit of labour rests solely on the cost of labour..
3. Productivity is defined as output produced.
4. The demand curve of a firm in a competitive market is downward sloping.
5. Marginal revenue is defined as $\Delta TR/\Delta$ input used
6. In the short run, the MC curve rises because of the increased productivity of the input.
7. When marginal physical product is rising, marginal cost falls.
8. "To produce a large quantity of bananas" is a good example of a goal of a farm.
9. Gross margin calculation forms part of partial budgeting.
10. Farm business analysis deals with the hiring policies of the business.
11. Costs represent the dollar value of the output of a farm
12. Marginal product is found by dividing total product by the units of input.
13. There are potentially many different enterprise budgets for a single enterprise.
14. Break-even price is equal to total cost divided by output price.
15. Enterprise budgets are economic budgets.

TOTAL 30 MARKS

SECTION B

1. Carlo has been involved in the management of a mixed farm for the last ten years. In recent times the performance of the farm has become a concern for the shareholders and they are thinking of transferring some resources from the farm to a newly-established food enterprise.

- (a) Define the term “*Management*.” (1 mark)
- (b) Distinguish between shareholders and manager. (2 marks)
- (c) What do you think is the main concern of the shareholders? Give a reason for your response. (2 marks)
- (d) (i) Give two examples of resources that shareholders may target for transfer. (2 marks)
(ii) Explain how management may use these resources in the food establishment. (2 marks)
- (e) You are given the task of conducting an analysis of the performance of the farm.
 - (i) List four areas that you would target for investigation (4 marks)
 - (ii) Choose one of the four areas listed in (i) above and explain how you would proceed with the investigation. (4 marks)
- (f) Use a diagram to represent the total cost curves for the farm. (3 marks)

TOTAL 20 MARKS

2. Managerial decision-making is often guided by “*marginalism*.”

- (a) Explain the term ‘marginalism.’ (1 mark)
- (b) How does a farmer use this principle in deciding whether he hires additional labour. (2 marks)
- (c) Sketch a graph depicting the per unit profit maximization behavior of a firm in a perfectly competitive market. (4 marks)
- (d) Explain the relationship between **marginal cost** and **marginal physical product**. (3 marks)
- (e) Assume that Beta Farm has just purchased a new tiller for \$70,000. It is estimated that fixed cost would be \$30,000/year, and variable cost of tilling to be \$100.00/acre.
 - (i) Calculate the average cost of tilling 1200 acres. (2 marks)
 - (ii) What is the marginal cost of tilling? (1 mark)
 - (iii) Calculate the breakeven price for tilling 500 acres. (2 marks)
 - (iv) List three (3) components of the variable cost of the tiller. (3 marks)

- (f) Distinguish between the terms **price** and **cost**. (2 marks)

TOTAL 20 marks

3. (a) Distinguish between **risk** and **uncertainty**. (2 marks)
- (b) Explain three sources of risk in agriculture. (6 marks)
- (c) What is risk management? (1 mark)
- (d) Identify two strategies that you can implement to reduce the production risks associated with a tomato enterprise. (4 marks)
- (e) List three human resource challenges faced by Saint Lucian farmers. (3 marks)

TOTAL 16 marks

4. Enterprise and partial budgeting are critical activities in the management process.

- (a) Define the term "budgeting". (1 mark)
- (b) Give two reasons why farmers should engage in enterprise budgeting. (2 marks)
- (c) Farmer Joe is thinking of using an excavator instead of using manual labour to do his drainage works.
- (i) List four main questions he needs to answer before making his choice. (4 marks)
- (ii) What term is used to describe the process involved in (i) above. (1 mark)
- (d) Explain how farm records aid the budgeting process. (2 marks)
- (e) Explain the following statement: "*There are potentially many different enterprise budgets for a single enterprise.*" (4 marks)

TOTAL 14 marks

