



VF BAGRI PAST PAPERS.

SIR ARTHUR LEWIS COMMUNITY COLLEGE  
Division of Agriculture  
Associate Degree Year II

#M27

Course: Agribusiness Management  
Year: 2006

Duration: two and a half hours  
Semester: 2

Do Question 1 and any other four questions

1.

Balance sheet as at Dec 31st 2005

**Assets**

*Current*

Cash	\$5,000.00
Livestock	\$21,800.00
Inventory	\$10,000.00
<i>Total current assets</i>	<i>\$46,800.00</i>

*Fixed*

Machinery and equipment	\$35,000.00
Land	\$96,000.00
<i>Total fixed assets</i>	

*Total Assets* \$177,800.00

**Liabilities**

*Current*

Account Payable	\$500.00
Interest and Taxes	\$2,000.00
Mortgage payments due	\$1,500.00
Other current debt due	\$20,000.00
<i>Total current liabilities</i>	<i>\$24,000.00</i>

*Long term*

Mortgage \$59,000.00

Total Liabilities \$83,000.00

Net worth \$94,800.00

Total Liabilities and net worth \$177,800.00

**Summary profit and loss statement**

Income	\$90,087.00
Expenses	\$69,920.00
Net Farm Income	\$33,176.00





- a) In terms of the financial condition of a business, what is liquidity? Describe two ratios that are used to measure liquidity.
- b) Use the two above ratios to determine the liquidity of the balance sheet above.
- c) In terms of the financial condition of a business, what is solvency? Describe two ratios that are used to measure solvency.
- d) Use the two above ratios to determine the solvency of the balance sheet above
- e) What is the Return on investment ratio for a firm? Calculate the return on investment ratio for the statements shown above
- f) What is the Return on owners equity ratio for a firm? Calculate the return on owners equity ratio for the statements shown above

2. a) Work helps to meet various levels of human needs as shown in Maslows pyramid of human needs. List and describe each of these needs in ascending order

b) You are starting up a new agribusiness. Outline in some detail how you plan to set up a good motivational environment for the workers in your business.

3. a) List and define the different types of legal business structures that can be used by an agribusiness

b) Why are sole proprietorships very popular among small agribusiness in St. Lucia and the Caribbean?

c) What are the disadvantages of a sole proprietorship?

d) What are the main advantages and disadvantages of a private company?

4. a) List and describe seven(7) ways in which a new business can obtain the resources needed to start up.

b) List and describe three methods of forecasting price and economic data to make a business plan

c) List the advantage(s) of each method

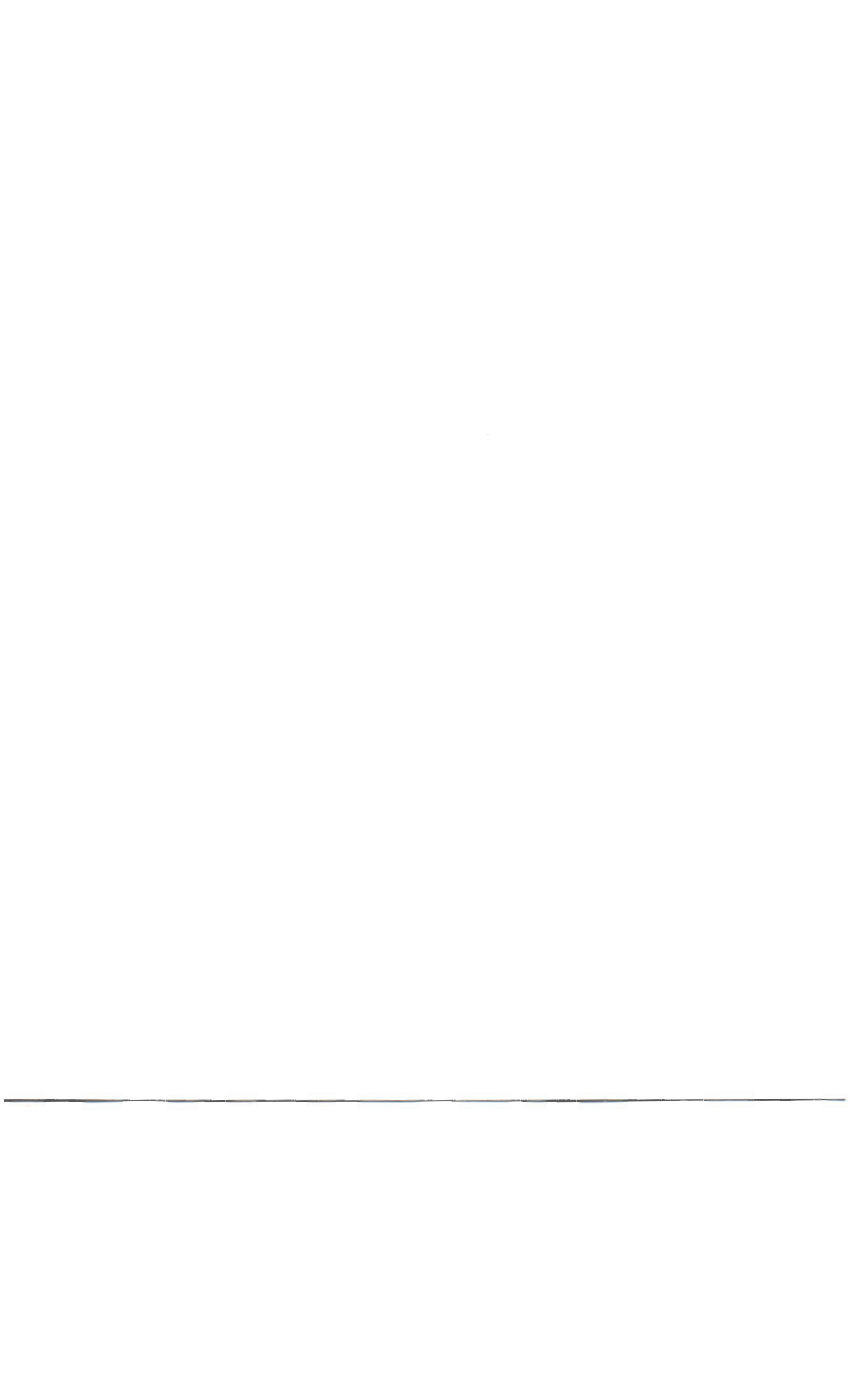
5. a) What is a short term loan as distinct from a long term loan?

b) What is loan amortization? Describe the different types of loan repayment plans that are offered for amortized loans

c) Describe in detail the process by which banks assess and grant credit to borrowers

d) In your opinion, what may be some of the reasons why local farmers have difficulty obtaining credit.

6. a) What is a budget?



b) Describe the three types of budgets that are used in planning agribusiness

c) What is discounting? Why is it used in budgeting for capital items.

d) The table below shows the net cash flows for a potential machinery investment on a layer farm. It also shows the discounting factor for each year based on a 12% rate of interest. Use this to calculate the Net Present Value for the investment.

<b>Year</b>	<b>Discount factor</b>	<b>Cash Flow</b>
0 – initial outlay	1	-\$100000
1	.8929	\$25000
2	.7972	\$25000
3	.7118	\$25000
4	.6355	\$25000
5	.5674	\$25000
		\$25000

