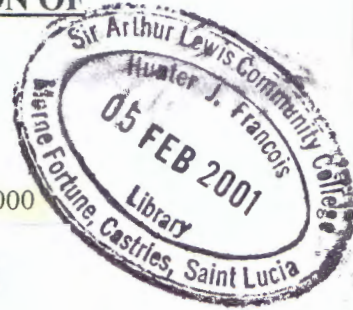


**SIR ARTHUR LEWIS COMMUNITY COLLEGE – DIVISION OF  
AGRICULTURE**

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

**Course:** Agribusiness Management II – FBM522  
**Duration:** 2 Hours

**Date:** 05/2000



Please Answer All Questions

#M1

1. a) Give a description of the types of collateral that can be used in obtaining an agricultural loan.  
  
b) A farmer needs a loan of \$90,000 and is considering proposals from two different institutions. Institution A is offering an amortized loan for 3 years at a rate of 9%. Institution B is offering the \$90,000 loan for 2 years at 10% interest compounded on the initial loan amount. The amortized loan is to be repaid in equal monthly installments using an amortization factor of 0.3950. What is the monthly installment for each loan? What is the total amount (principal and interest) repaid for each loan and which loan does the farmer pay the least total interest on? (16 marks)
  
2. You are newly employed as a farm manager on a farm whose workers have very low morale. Discuss some of the reasons that may cause such a situation and describe steps that a manager can take to remedy this problem. (12 marks).
  
3. At December 31<sup>st</sup> 1999, a farm business was being operated on 12 acres of land valued at \$8500 per acre. The business has \$48,000 in the bank. All assets used on the farm are owned by the business and the farm depreciates its buildings and tractors at 9% per annum and vehicles, other equipment and machinery at 15%. The farm is engaged in the production of pigs, small ruminants and poultry. It has four pens covering a total of 9000 square feet. The pens were built two years ago at a cost of \$25.00 per square foot. The farm was established 2 years ago with the owners' resources and a \$300000 loan taken at 8% simple interest for 15 years. The loan is repaid in semi annual installments of \$ 22000. The farm also has a 2-year-old truck originally purchased for \$79,000, a 2-year-old tractor originally purchased for \$160,000 and a 1-year-old van originally purchased for \$47,000. 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. ( 18 marks)
  
4. Compare and contrast three types of legal structures that can be used to establish an agribusiness. (12 marks)
  
5. As a prospective banana farmer, name and describe three (3) current trends in the world economy that will influence the future of your business. Suggest how these trends will affect your business and means by which you can reduce negative impacts from these trends. (12 marks)