

UF DAGRI PAST PAPERS



DIVISION OF AGRICULTURE, SIR ARTHUR LEWIS COMMUNITY  
COLLEGE  
Associate Degree Year II

Date: 06/05/05

Time: 2 1/2 Hours

Subject: Agribusiness Management



Attempt all questions

#M21

1. The SALCC College Farm has set up a programme to lease lands to graduates of the agriculture division. As a prospective applicant, answer the following:
  - a) List and briefly describe, five possible sources of capital that you may be able to access to start up a farm business on said lands. 1
  - b) Were you to seek credit to establish your operation, describe the criteria that a commercial bank may use to evaluate your proposal for a loan.
  - c) You have two offers from competing commercial banks for a loan of \$45,000 to be repaid over 5 years. Bank A is offering the loan at 9.5% interest charged using the add-on method on the beginning loan balance. Bank B will charge 11% using the level payment method on the remaining loan balance. This method utilizes an amortization factor of 0.2706. What will be the difference in interest payments between the banks over the loan period?
- ~~2.~~ a) What is an income statement and what purposes does it serve for an agricultural business?
- b) Outline and explain two(2) financial ratios that can be used to analyze an income statement for an agricultural business
- c) A farm has total assets of \$100,000, a return on investment of 12% and total liabilities of \$60,000. Calculate:
  - i. The rate of return on owners equity
  - ii. The farm's debt to equity ratio
- d) Comment on the profitability and solvency of the farm operation.
3. a) A prospective agribusiness owner, what form of legal business structure would you choose for your operation?. What advantages and disadvantages would this structure have over other types of legal structures?
- b) Credit Cooperatives are the only type of cooperatives that have been successful among rural persons in St. Lucia in the past decade. Describe why this may have occurred
4. A farmer is seeking to employ a livestock manager for his livestock enterprises.

- i. How should he seek to recruit such a person?
- ii. Write an advertisement that can be placed in a newspaper to recruit such an individual
- iii. Write a detailed job description for the post

5. Write short notes to describe the following. Use named examples where possible.

- a) Contract farming
- b) Loan guarantor
- c) Performance appraisal
- d) Financial liquidity
- e) Double entry accounting systems

