

Agriculture Past Papers.

SIR ARTHUR LEWIS COMMUNITY COLLEGE  
DIVISION OF AGRICULTURE

PROGRAMME: Associate Degree General Agriculture

COURSE: Agribusiness Management ABM 216

Time : 2 1/2 hours

30 April 2010 END OF SEMESTER EXAM

#M53

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

1. The success of a business to a large extent hinges on its ability to carefully analyze potential capital investments.

- (a) **Define** the term *investment analysis*. 2 mks
- (b) **State four** methods that can be used to analyze 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. Analyze each using the net present value method at 10 % opportunity cost. Which investment would you select? Give a reason for your answer 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

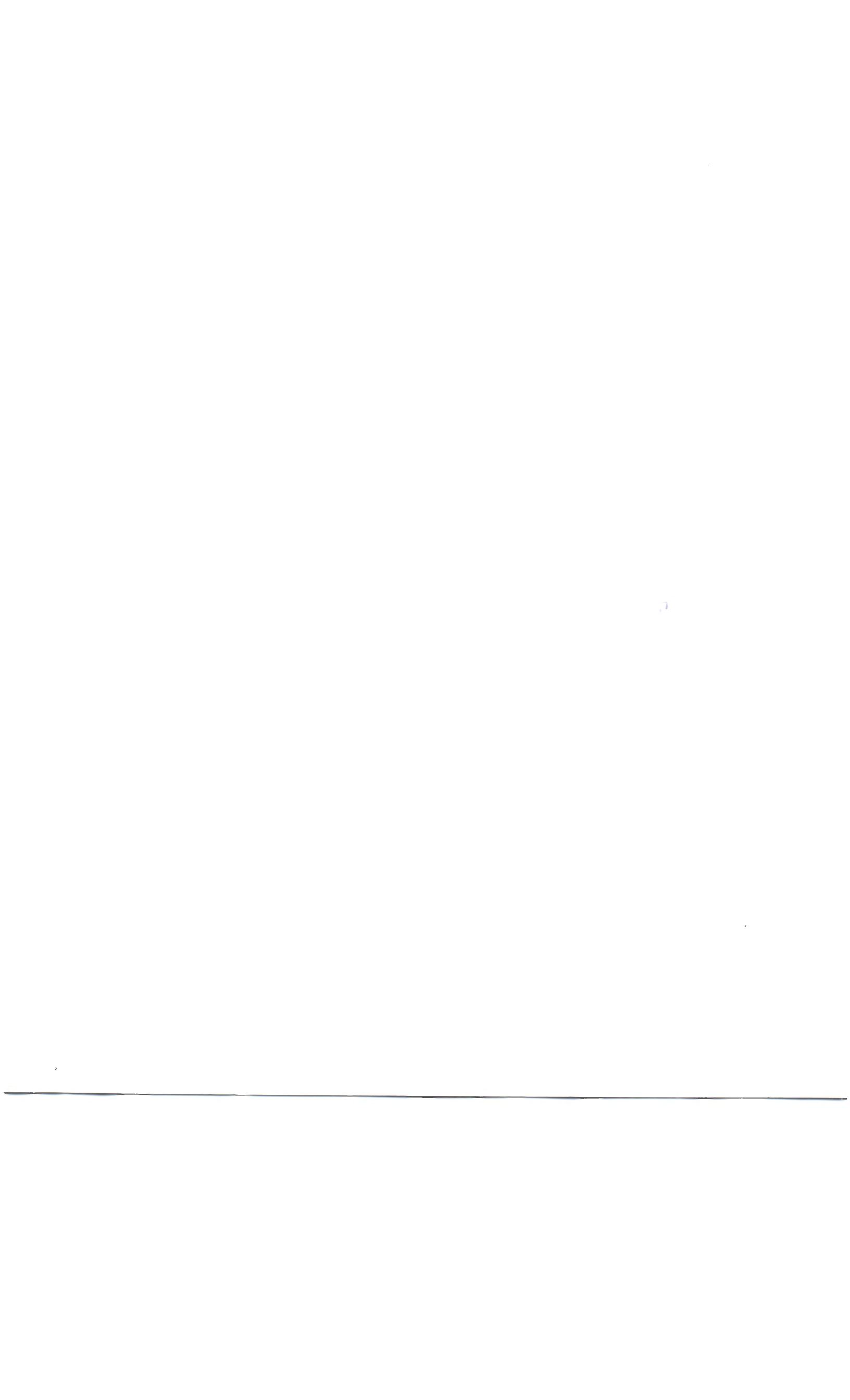


(d) Today, agriculture is a whole lot more than what happens on the farm. Agriculture has evolved into agribusiness systems that make significant contributions to economic growth and development.

- (i) **Define** the term agribusiness system and **state** its constituents. 6 mks
- (ii) **State three** ways in which government policy impacts the operations of agribusiness in St. Lucia 6 mks
- (iii) **State two** positive and two negative effects of globalization / trade liberalization on the agribusiness sector in St. Lucia. 8 mks

2. Farmers make decisions in a risky and ever changing environment. The consequences of their decisions are generally not known when decisions are made, and outcomes may be better or worse than expected.

- (a) **Distinguish** between the terms risk and uncertainty. 3 mks
- (b) **Identify** and **explain three** sources of risk in agriculture. 9 mks
- (c) **Define** the term **risk management** 2 mks



(d) **State three** response strategies that can be followed to reduce the risks associated with tomato production and marketing. **6 mks**

3. (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 \$18,900; 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 \$6,450;Cash on hand \$120.

- During the first week of April 2009 Mark
1. Bought extra stock of goods on credit \$770.
  2. Got paid in cash \$280 from a debtor.
  3. Bought extra fixtures by cheque \$1,000

**Prepare:** (1) a balance sheet as at April 7, 2008 **10 mks**

(2) Calculate and interpret:  
 (i) a liquidity ratio  
 (ii) a solvency ratio **6 mks**

4. (a) **Distinguish** between **current asset** and **non-current assets** **4 mks**

(b) Use your knowledge of balance sheet and ratio analysis to complete the following abbreviated balance sheet. The current ratio = 0.5 debt/equity ratio =1.0 **14 mks**

<b>Assets</b>		<b>Liabilities/ Equity</b>	
Current assets	\$80000	Current liabilities	.....
Non current assets	.....	Non current liabilities	.....
		Total liabilities	.....
		Owner' equity	\$100,000
Total assets	.....	Total liabilities and Owner equity	.....

(c) **Compute** the working capital of this business **2 mks**

5. A business sells a product for \$80.00. The variable cost per unit is \$60.00; total fixed cost equals \$2000.00. Determine:

- (a) the contribution per unit
- (b) the contribution margin
- (c) break even quantity
- (d) the minimum sales level, if the business is to make a zero percent profit
- (e) break-even sales value
- (f) the total cost and the total revenue associated with the break-even output **12 mks**

(ii) **Explain** why the unit price less the variable cost is called per unit contribution to overhead in break-even analysis. **5 mks**

(iii) **Distinguish** between **implicit and explicit cost.** **3 mks**

