

SIR ARTHUR LEWIS COMMUNITY COLLEGE
 DIVISION OF AGRICULTURE
 ASSOCIATE DEGREE IN GENERAL AGRICULTURE
 END OF SEMESTER II EXAMINATION



COURSE: Agribusiness Management (ABM 216)

Date: 24th April, 2012

Duration: 2 hours 30 mins

Instruction: Paper consists of six (6). Do any five (5) questions. #M63

1. (a) Define the phrase **agribusiness system** and state its constituents 6 mks
- (b) State three ways in which government policy impacts the operations of agribusiness in St. Lucia 6 mks
- (c) State two positive and two negative effects of globalization and trade liberalization on the agribusiness sector in St. Lucia. 8 mks

2. (a) (i) Define the term "Cash Flow Budget" and
- (ii) State two of its uses. 5 mks

- (b) Mary and Peter live in Cannaries. Mary earns money from selling cassava, while Peter is a fisherman. They have a few chickens and two goats. They also have three children attending school. Peter expects to receive income over the year from selling fish as follows:
 - (i) \$400 each; - March, April, and October
 - (ii) \$600 each; - February, May, September, November
 - (iii) \$800 each; - January, December
 - (iv) \$1,200 each; - June, July
 - (v) \$1,800 each; - August
 - (vi) Mary usually gets money from selling cassava:
 - a. \$300; - January
 - b. \$900 each; - June, July, August
 - (vii) They often sell small livestock and may get: \$600; - January, December
 - (viii) Monthly living expenses \$500;
 - (ix) School expenses \$300 each; - March, June, September, December
 - (x) Boat maintenance \$200 each; - March, May, July
 - (xi) Boat license \$300; - November

- (c) Using the information given prepare a cash flow budget for Mary and Peter and advise the family on the best time to buy the new generator costing \$4,300. **15 mks**

3. (a) What is **enterprise budgeting**? **2 mks**
- (b) Explain briefly **three** ways in which an enterprise budget can be beneficial to a farmer **6 mks**
- (c) The following is information about watermelon production. Use it to answer the questions which follow.

Items	Quantity
Yield in kg/acre	4350 kg
Price/kg	0.75
<u>Variable costs</u>	(\$)
Seeds	40.00
Manure	30.00
Fertilizer	95.00
Chemicals	40.00
Transport	100.00
Labour, Harvesting,	470.00
Fixed costs	
Machinery, depreciation	350,
Land charge	100

- (i) Compute net farm income from operations **3mks**
- (ii) **Determine:** (a) cost of production (b) break even price (c) break even yield 6m. **6 mks**
- (iii) With reference to any additional information explain how you would compute the value **of return to management.** **3 mks**

3. The time value of money is very important in investment analysis.
- (a) (i) Explain the term "**investment analysis.**" **2 mks**
- (ii) List two methods of analyzing an investment **2 mks**
- (b) If farmland is currently worth \$17,500.00 per/acre and is expected to increase in value, at a rate of 5%, what will it worth in 5 years? **5mks**
- (c) Assume someone wishes to have \$80000.00 in ten years from now as a college fund for a child. How much money would have to be invested today at 6% compound interest? **5 mks**
- (d) Distinguish between the terms **compounding and discounting.** **4 mks**
- (e) Comment on the statement "**a dollar today is worth more than a dollar tomorrow**" **3mks**
4. Financing is very important to the overall development of the agri-business sector in St. Lucia.
- (a) Define the term **financing.** **2mks**
- (b) Distinguish between **equity capital and debt capital** **4mks**
- (c) Write TWO factual statements on each of the following:
- (i) Leverage (ii) capitalization structure **4 mks**

(d) Assume you are a first time farmer and need capital to purchase livestock, state three pieces of information that you need to provide a lender to improve your chances of getting the loan. **6 mks**

(e) Advance two reasons for the reluctance on the part of commercial banks to finance local agricultural projects. **4 mks**

5. (a) Distinguish between **a balance sheet** and an **income statement** **4mks**

(b) M. Mark Ltd has the following items on its books as on March 31, 2011: capital \$17,000; Loan from T. Bob \$2,000; Creditors\$1,600; Fixtures \$3,500; Motor vehicle \$3,200; Stock of goods \$3,950; Debtors \$3,280; Cash at the bank \$6400; Cash on hand \$270.

During the first week of April 2011 Mark

1. Bought extra stock of goods on credit \$700.
2. Got paid in cash \$280 from a debtor.
3. Bought extra fixtures by cheque \$1,000

(i) Prepare a balance sheet as at April 7, 2011 **12 mks**

(c) Comment on the liquidity and solvency of this business **4 mks**



