



SIR ARTHUR COMMUNITY COLLEGE
DIVISION OF AGRICULTURE

#MT2

COURSE: Agribusiness Management ABM 216

AD Yr11

Time : 2 1/2 hours

MAY 2013 SEMESTER 2 EXAMINATIONS

Instructions: 1. This paper consists of SIX questions

2. DO ANY FIVE QUESTIONS.

1. The agribusiness sector continues to be impacted by factors both internal and external to the system.
 - (a) State two major characteristics of agriculture that make decision making a little more challenging than if managers were in a manufacturing setting. 4mks
 - (b) You are the manager of a farm, in one sentence show how you would position your farm to deal with the opportunities presented by:
 - (i) trade liberalization (ii) information technology 4mks
 - (c) State two constraints of most farm enterprises in St. Lucia 4mks
 - (d) You have been asked by your parents to assume the role of manager of the family business upon completion of your studies at SALCC.
 - (i) State TWO competencies that you possess that will make life on the job a bit easier. 4mks
 - ✓(e) State ONE negative impact of agribusiness operations on the physical environment 2mks
 - (f) State ONE way in which government impacts the operations of agribusinesses in St. Lucia 2mks
2. Businesses maintain records for multiple users and many purposes.
 - (a) Distinguish between financial records and management information records.
 - (b) Give two examples of (i) financial records (ii) management information records.
 - ✓(c) State three reasons for keeping farm records 6mks
 - (d) Assume you are an agricultural loan officer for a bank and a customer requests a loan based on the following balance sheet.

Assets		Liabilities	
Current assets	\$40,000	Current liabilities	\$60,000
Non-current assets	\$240,000	Non-current liabilities	\$50,000
		Total liabilities	\$110,000
		Owner equity	\$170,000
Total assets	\$280,000	Total liabilities equity	\$280,000

- (i) Compute one solvency and one liquidity ratio. 4mk
- (ii) Would you grant the customer the loan? Give a reason for your answer. 2mks
- (iv) Can a business be solvent but not liquid? Give reason(s) for your response 2mks
3. (a) Distinguish between cash flow budget and enterprise budget. 2 mks
- (b) State two ways in which budgeting assists the farmer 4 mks
- (c) Use the following information to prepare a cash flow budget for Fair Farm Ltd for the period July -December 31.

Credit transactions:	Purchases	Sales
June	\$9800	\$18600
July	9300	20000
August	9000	20700
September	9300	21300
October	12800	26600
November	14600	27900
December	13800	29300

- i. The firm started business with a balance in hand of \$3800
- ii. Monthly salaries and wages \$8000
- iii. A subsidy of \$2000. is expected in August
- iv. Capital investment in new machinery of \$5600 is planned for December
- v. Other monthly cash expenses are estimated as \$21000 to the end of September and \$2700 afterwards
- vi Credit transactions have a credit period of two (2) months 14 mks

4. (a) Distinguish between an income statement and a cash flow budget 4mks
 (b) State two purposes of an income statement. 4mks
 (c) The following are transactions undertaken by FairfarmLtd for the period ending December 2012.

- Purchased inventory of \$5000.00
- Paid rent of \$500.00 cash
- Sold 5000 units of a product at \$2.00 per unit.
- Paid utilities of \$250.00 cash.
- Paid \$1200.00 on a computer valued at \$1500.00
- Sold an old computer for \$250.00 cash.
- Paid \$75.00 to repair old computer.
- Office furniture valued at \$1000.00 is depreciated evenly over a five year period.
- Paid salaries of \$2000.00
- Selling expenses \$200.00
- Paid interest of \$25.00 on loan from credit union.

- (i) Create an income statement from the above transactions. 10mks
 (ii) Compute net profit margin 2mks

5. 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) List 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 12mks

	Investment A	Investment B
Net cash revenue		
Yr 1	\$3000	\$1000
Yr2	\$3000	\$2000
Yr3	\$3000	\$3000
Yr4	\$3000	\$4000
Yr5	\$3000	\$6000

- (d) State one factor that can impact business in St.Lucia. 2mks

6. 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) (i) Distinguish between short-term loans and long-term loans.4mks
(ii) List two sources of loan funds that are available to farmers.2mks
- (d) Assume you are a beginning 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. 2mks