

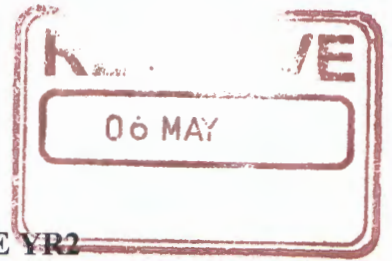
SIR ARTHUR LEWIS COMMUNITY COLLEGE

DIVISION OF AGRICULTURE

GENERAL AGRICULTURE - ASSOCIATE DEGREE YR2

ACADEMIC YEAR 2013/2014

END OF SEMESTER TWO EXAMINATION



#M78

COURSE:

ABM216 - AGRI-BUSINESS MANAGEMENT

DATE: 14th May 2014

TIME: 9:00 a.m.

DURATION: 2 ½ hrs.

SECTION A

Instructions: Determine whether the statements are true or false. Give a reason for your answer.

1. Assets less owner's equity equal liabilities.
2. A debt asset ratio of 1 means that the business is liquid.
3. Income above variable costs is called net income.
4. Present values are found by using a process of compounding.
5. Investment refers to addition of non-current assets to the business.
6. Salvage value plus cost of asset equal depreciation.
7. Reductions in costs enhance the competitiveness of businesses.
8. The balance sheet must always balance.
9. In the straight line method depreciation falls over life of the assets.
10. A cash flow budgets gives an indication of the productivity of the business.
11. Equity capital can take the form of land, cash or buildings.
12. Accounting profits equal total revenue less economic costs.
13. Managers are paid to think.
14. Productivity is a measure of the rate of production.
15. Trade liberalisation increases consumer surplus.

SECTION B

Instructions: Do question 1 any other Two questions.

1. The business environment is full of opportunities and challenges.
 - (a) Define the term "business environment." 1 mk
 - (b) List TWO constituents of the business environment. 2mks
 - (c) List three forms of business ownership in St. Lucia. 3 mks
 - (d) State TWO ways in which government impacts businesses in St. Lucia. 4 mks
 - (e) You are the manager of a poultry farm.
 - (i) STATE one way in which trade liberalisation has impacted your business both positively and negatively. 4mks
 - (ii) Show how you would demonstrate social responsibility in the conduct of your business. 2mks
 - (iii) Using a diagram, show how the slow-down in economic activities in the country is impacting the demand for your product 4mks
 - (f) Comment on the statement "The benefits of e-commerce to the consumer are tremendous." 4 mks
 - (g) Assume you are an agricultural loan officer at a bank and a customer requests a loan based on the following balance sheet.

<u>Assets</u>		<u>Liabilities</u>	
Current assets	\$60,000	Current liabilities	\$40,000
Non-current assets	\$240,000	Non-current liabilities	\$30,000
		Total liabilities	\$110,000
		Owner equity	\$120,000
Total assets	\$300,000	Total liabilities equity	\$300,000

(i) Compute one solvency and one liquidity ratio from the above the above information. 4mks

(ii) Using the information from (i) above, would you grant the applicant the loan? Give a reason for your answer. 2mks

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

(a) Define the term capital investment. 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.

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

(I) Analyze each using the net present value method at 10 % opportunity cost. 12mks

(II) Which investment would you select? Give a reason for your answer.

(d) Distinguish between discounting and compounding. 2mks

3. One of the fastest growing trends for business today is the increasing number of strategic alliances.

(a) (i) Define the term "strategic alliance". 2 mks

(ii) State TWO factors that are forcing businesses to form alliances. 4mks

(III) List three benefits of forming strategic business alliance. 3mks

(b) State the goal of strategic alliance. 2mks

(c) Give an example of a strategic alliance in the agri-business sector in St. Lucia. 1mk

- (d) Name TWO other business trends besides strategic alliances. 2mks.
- (e) Comment on the statement "The world is flat because of Information and Communication Technologies (ICTs)" 6 mks

4. Assume that a new tractor is purchased on January 1 for \$200,000 and given a salvage value of \$10,000 and a useful life of 10 years. Use a 10% depreciation rate.

- (a) Distinguish between salvage value and depreciation 4mks
- (b) What would the annual depreciation be for the first two years under each depreciation method below?

	Year 1	Year 2	
Straight line	
Sum of the year's digit	
Declining balance	12mks

- (c) What would the tractor's book value be at the end of year two under the declining balance method? 2mks
- (d) List two features of a depreciable asset. 2mks

