SIR ARTHUR LEWIS COMMUITY COLLEGE
Division of Agriculture

END OF SEMESTER TWO EXAMINATION – MAY 2015/2016

PROGRAMME TITLE	:	General Agriculture – Associate Degree – Year Two
COURSE TITLE	:	Agribusiness Management
COURSE CODE	:	ABM216
DATE	:	6th May 2016
TIME	:	9:00 a.m.
DURATION	:	2 ½ hours
ROOM	:	Room 1 and 2
INVIGILATOR(S)	:	
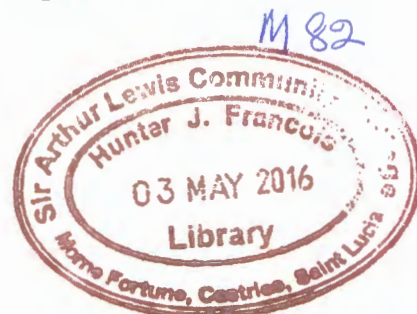
INSTRUCTIONS:

This paper consists of two sections. Section A and Section B.

You are required to answer **all** questions in both sections

SECTION A

Determine which statements are true and which statements are false. Give a reason for your response. Two (2) marks per question.

1. A depreciable asset must have a useful life of one year.

2. Agribusiness businesses consist only of firms engaged in agro-processing.

3. In the straight line method, depreciation falls with time.

4. Strategic alliance, franchises and joint ventures are forms of business ownership.

5. A major feature of sole proprietorship is limited liability.

6. The main form of business ownership in the agribusiness sector in St.Lucia is corporation.

7. Joint venture is a form of business alliance.

8. The valuation of immature crop can best be done by the market value approach.

9. Present value is associated with discounting.

10. The principle of conservatism states that asset valuation must be done yearly.

11. The accounting equation says that balance sheet must balance.

12. The contributions of the owner to the business is termed assets.

13. Liabilities equal assets less owner's equity.

14. The claim on the business by someone other than the owner, is called equity.

15. The equity section of the balance sheet consists only of business profit that has been ploughed back into the business.   **Total   30mks**

SECTION B

1. A business sells a product for $80.00. The variable cost per unit is $60.00; total fixed cost equals $2000.00. Projected sales $12,000.00

   (i)   Calculate:

      (a)   Per unit contribution to overheads
      (b)   Total contribution to overheads
      (c)   Break even quantity

(d)   Break-even sales value

(c)   Safety margin

12mks

(ii)   **Explain** why the unit price less the variable cost is called per unit contribution to

overhead in break-even analysis.   2mks

(iii)   In today's competitive business environment, a high-cost business is doomed to
fail.
Comment on the above statement.   6 mks

Total 20 mks

2.

(i)   Define the term "financing. "   1 mk

(ii)   List three possible ways in which businesses can acquire funds for their
operations.   3 mks

(iii)   Explain how sole proprietorship limits access to financing.   4mks

(iv)   Suggest an alternative business form to the one in (iii) above and explain how it
facilitates improved access to financing.

3mks

(v)   Define the term "leverage" and explain how it can be assessed using the "debt-
equity ratio."

3mks

(vi)   Explain why farmers find it difficult accessing finance for agricultural-based
projects.

6mks

(VII)   *"The speed at which the book value of an asset decline is not influenced by the
depreciation method used."* Discuss this statement in the context of the three
depreciation methods.   **5 marks**

Total 25mks

3   (i) "Farm-based enterprises can prove difficult to manage." Do you agree? Give reasons for
your answer   5 mks

(ii) What is the principal function of?
(a) Balance sheet (b) Income Statement   (c) Cash Flow Budget   3mks

(iii) Discuss the role of standards in agricultural trade.   5mks

(iv) Explain the difference between solvency and liquidity ratios   2mks

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(v) 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

10mks

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