

SIR ARTHUR LEWIS COMMUNITY COLLEGE

Division of Agriculture

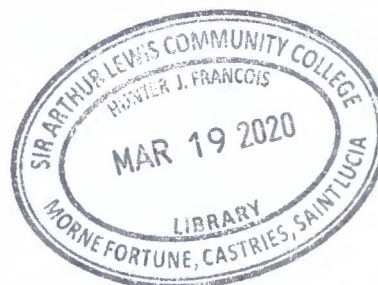
END OF SEMESTER TWO EXAMINATION – APRIL/MAY 2018-2019

PROGRAMME TITLE : General Agriculture – Associate Degree – Year Two
COURSE TITLE : Agribusiness Management
COURSE CODE : ABM216
DATE : 29th April, 2019
TIME : 9:00 am
DURATION : 2 hours
ROOM :
INVIGILATOR(S) :

SECTION A : DO ALL QUESTIONS. *DEFEND YOUR POSITION WITH STRONG AGRUMENTS*

SECTION B : Determine whether the statements are true or false. Give a reason for your answer. Each question is worth 2 marks.

SECTION C : Do all questions



SECTION A

INSTRUCTIONS: DO ALL QUESTIONS. DEFEND YOUR POSITION WITH STRONG ARGUMENTS.

1. Cash flow budgets are a waste of farmers' time. Discuss. (10 marks)
2. Debt financing is the only option that business owners have for financing business operations. Discuss. (10 marks)
3. Investors must consider both the economic profitability and financial feasibility of investment projects. Discuss. (10 marks)
4. A debt/asset ratio of 2 means that the business is highly liquid. Discuss. (10 marks)
5. Efficiency enhances the competitiveness of businesses. Discuss. (10 marks)

50 MARKS

SECTION B

Instructions: Determine whether the statements are true or false. Give a reason for your answer. Each question is worth 2 marks.

1. The balance sheet speaks to the profitability of a business.
2. A current ratio of 0.9 means that the business is solvent.
3. Income above variable costs is called net profit.
4. Productivity is a measure of total of production.
5. If a business is highly leveraged, then the shareholders have a strong claim on its assets.
6. The agribusiness sector in Saint Lucia is dominated by agro-processors.
7. A dollar today is worth more than a dollar tomorrow.
8. A business with a higher working capital will also have a higher current ratio.

16 MARKS

SECTION C

Instructions: Do all questions

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

- (a) Define the term *capital investments*. **(1 mark)**
- (b) List three features of capital investments **(3 marks)**
- (c) Assume that you have \$20,000 to invest and must choose between the two investment options below.

Investment A	Investment B
Net cash revenue	Net cash revenue
Yr 1 \$3000	\$1000
Yr2 \$3000	\$2000
Yr3 \$3000	\$3000
Yr4 \$3000	\$4000
Yr5 \$3000	\$5000

- (i) Which is the better of the two investments? State the basis of your answer. **(2 marks)**
- (ii) At a 10% discount rate, determine the net current value of each investment. **(8 marks)**
- (iii) Based on the results of (ii) above, which investment is better? Why? **(1 mark)**

15 marks

2. (a) **Distinguish** between a *balance sheet* and *income statement* **(2 marks)**

- (b) M. Mark Ltd has the following items on its books as on March 31, 2009:

Capital \$16 000
 Long term loan \$4,900
 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

- (i) Prepare a balance sheet as at April 7, 2008 **(12 marks)**

- (ii) Calculate and interpret:

(a) a liquidity ratio

(b) a solvency ratio **(4 marks)**

- (c) Is this business profitable? Why? **(2 marks)**

20 marks