



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2018/2019 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS AND RESOURCES MANAGEMENT**

**COURSE CODE: ARE 3203
COURSE TITLE: FARM BUSINESS MANAGEMENT**

DATE: 24TH APRIL, 2019

TIME: 0830 - 1030HRS

INSTRUCTIONS TO CANDIDATES

- Question **ONE** is compulsory.
- Answer any other **THREE** questions.

turn over.

This paper consists of 2 printed pages. Please

QUESTION ONE

a) Discuss the key principles of farm business record keeping.

(5 Marks)

b) Outline the basic economic decisions farm business managers face.

(5 Marks)

c) Describe the systematic farm budgeting process.

(10

Marks)

d) An asset's initial cost is KShs. 200,000. It has a salvage value of KShs. 20,000 and an expected useful life of 5 years. Using Sum-of-years digit depreciation method, compute the value of the asset for each year of its useful life. **(5 Marks)**

QUESTION TWO

Evaluate methods of reducing risks and uncertainties for a farm business.

(15 Marks)

QUESTION THREE

You are provided with the following information regarding Kenyatta University Farm as at 31st December, 2018.

Item	Amount
Cash in hand	1,200,000
Land	126,000,000
Account receivable now	4,000,000
Layer Chicken	400,000
Breeding Sheep	2,500,000
Eggs ready for sale	1,000,000
Breeding Bullocks	4,000,000
Buildings	32,000,000
Account payable now	14,000,000

Loan payable in 15 years	113,000,00
Crops ready for sale	3,000,000
Machinery	22,000,000
Loan payable in 4 years	20,000,000

a) Prepare the Net-worth Statement for the farm. (9

Marks)

b) Calculate and explain the following ratios with respect to the farm:

(i) Current ratio. (2 Marks)

(ii) Working Capital ratio. (2

Marks)

(iii) Net Capital ratio (assume owners equity is 100,000). (2

Marks)

QUESTION FOUR

You are provided with the following data regarding the relationship between the amounts of concentrate feed fed to a dairy cow and milk production.

Concentrate (Kg)	Milk (Lts)
1	60
2	88
3	108
4	124
5	136
6	144
7	148
8	144

Given that the prices of concentrate and milk are KShs. 240 per Kilogram and KShs. 30 per Litre respectively. Using the Marginal Value Product Concept, what is the optimum amount of concentrate that maximizes milk profit? **(15 Marks)**

QUESTION FIVE

Discuss the role of farm business management on Kenya's developing economy.

(15 Marks)

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