

**FIJI NATIONAL UNIVERSITY****College of Agriculture, Fisheries & Forestry****School of Agricultural Sciences****Department of Agricultural Economics and Extension Education****Bachelor of Science in Agriculture****Trimester I Final Examination - 2017****AEC 603 Fundamentals of Farm Business Management****Time Allowed: 3.00 hours plus (10 minutes reading time) Total Marks: 100****INSTRUCTIONS:**

1. This paper consists of eight pages including two pages of Answer Sheet.
2. Please check that your paper has complete set of questions.
3. Answer all the Questions.
4. The paper is divided into three sections.
5. The Answer sheet for SECTION A is provided.
6. No written or printed material and mobile phones are allowed in the examination hall
7. Calculators are allowed.

I. SECTION A (50 Marks) to be answered only on the Answer Sheet.

PART I, Multiple choices - Attempt ALL questions (20 marks)

PART II, Fill in the blanks - Attempt ALL questions (10 marks)

PART III, True and False - Attempt ALL questions (10 marks)

PART IV, Matching - Attempt ALL questions (10 marks)

II. SECTION B (20 Marks)

Provide short answers - Attempt ALL questions (20 marks)

III. SECTION C (30 Marks)

Essay and Calculations - Attempt ALL questions (30 marks)

SECTION A Part I Multiple Choices (20 Marks)

1. Changes in structure of the farms are caused by;
 - A. Labor-saving technology
 - B. Greater off-farm employment opportunities
 - C. Desire of farm operators for higher income
 - D. All of the above

2. Growing familiar enterprises and increasing production as a means of increasing profit is strategy of ;
 - A. Low Volume, High Value Producers
 - B. High Volume, low Margin Producers
 - C. Specialty Product and Service Providers
 - D. Part-time Operators

3. The goals of commercial farmers are normally;
 - A. Multiple where profit is less important
 - B. Fewer where profit is important
 - C. Multiple where profit is important
 - D. None of the above

4. Planning involves;
 - A. Setting goals
 - B. Monitoring
 - C. Implementing a plan
 - D. Comparing results

5. Revising current plan is defined as;
 - A. Planning
 - B. Implementation
 - C. Adjustment
 - D. Control

6. Planning process involves;
 - A. Use of records
 - B. Use of Industry knowledge
 - C. Use of extension officers
 - D. All of the above

7. Items that have been purchased can be valued at its original cost;
 - A. Cost basis
 - B. Market basis
 - C. Both A and B
 - D. None of the above

8. An expense is;
 - A. expenditure incurred in the production of revenue
 - B. difference between business assets and business liabilities
 - C. any item of value
 - D. financial value of products produced for sale

9. Purchase of fertilizer is classified as;
 - A. Investment activity
 - B. Financial activity
 - C. Production activity
 - D. None of the above

10. Which one of the following is a liquidity ratio;
 - A. Debt/asset ratio
 - B. Equity/asset ratio
 - C. Debt/equity ratio
 - D. Current asset ratio.

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11. The value of what is received from the goods sold; money coming into farm-business?
 A. Inventory
 B. Revenue
 C. Credit
 D. Debit
12. Prepared as of a specific date, usually at the end of accounting period
 A. Balance sheet
 B. Revenue
 C. Current assets
 D. Current liabilities
13. The 4th step of whole farm planning is;
 A. Determining objectives
 B. Estimate gross margin
 C. Take inventory
 D. Choose a plan
14. Production from one enterprise increased without affecting the production level of other is termed;
 A. Competitive enterprise
 B. Supplementary enterprises
 C. Complementary enterprises.
 D. None of the above.
15. The methods of training to non-managerial employees are;
 A. Internship
 B. Apprenticeship
 C. All of the above
 D. None of the above
16. A physical count of all assets in a business with their estimated worth;
 A. Revenue
 B. Assets
 C. Inventory
 D. Ledger
17. Financial plan for a Farm business;
 A. Debit
 B. Ledger
 C. Assets
 D. Budget
18. Amounts that are owed or debt; examples include accounts payable and mortgages.
 A. Capital
 B. Debit
 C. Liabilities
 D. Assets
19. Recruiting employees include;
 A. Qualified people from within the organization
 B. Personnel from competing firms in the industry
 C. All of the above
 D. None of the above
20. Which of the following asset is not depreciable?
 A. Combine harvester
 B. Farm Machinery
 C. Land
 D. Building

SECTION A Part II Fill in the blanks (10 Marks)

1. _____ is often defined as the annual loss in value due to use, wear, tear, age.
2. The _____ function relates to the monitoring of the activities of the business.
3. _____ statement describes the purpose of the farm business and its targeted products, services, and quality.
4. _____ is a selective exercise that attempts to systematically and objectively assess progress towards and the achievement of an outcome.
5. _____ refers to the penalty or cost of waiting with respect to different decisions on the farm.
6. A _____ is an obligation or debt owed to someone else.
7. _____ are price takers.
8. _____ is the difference between business assets and business liabilities.
9. _____ is the expected market value of the asset at the end of its assigned useful life.
10. _____ costs that do not exist at the current time with the current plan.

SECTION A Part III True or False (10 marks)

1. A Cash Flow budget is a summary of projected cash inflows and outflows for a business over a given period.
2. Income Statement Format is the summary of revenues and expenses as recorded over time.
3. Functions of management are; Planning, Implementation, Adjustment and Control.
4. Before constructing a balance sheet, it is often necessary to estimate value of assets.
5. Accounting period can either be a calendar year or a fiscal year.
6. Tax depreciation is linked to asset's reduced ability to produce revenue as it ages.
7. Gross margin represents the remainder after cost of goods sold has been subtracted from sales.
8. Break-even is forecasted unit volume times selling price.
9. Sales are the unit or dollar sales at which an organization neither makes a profit nor a loss.
10. Partial budget emphasizes on change in revenue and expenses.

SECTION A Part IV Matching - Attempt ALL questions (10 marks)

Place the matching alphabet beside each of numerical.

1. Liquidity
 2. Accounts Payable
 3. Taxable Income
 4. Cash accounting
 5. Horizontal Integration
 6. Implementation
 7. Accounts Receivable
 8. Book value
 9. Solvency
 10. Accrued
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- a. The asset's original cost less accumulated depreciation.
 - b. Is combining institutions at the same level of operation under one management.
 - c. Measures the ability to generate cash needed to pay obligations.
 - d. The liability arising from the purchase of goods and services on credit.
 - e. The difference between revenue and expenses.
 - f. Revenue recorded when and only when cash is received for sale of product or service.
 - g. A balance due from a debtor on a current account.
 - h. It provides an indication of the ability to pay off all financial obligations if assets were sold.
 - i. Accumulated.
 - j. Is the part of a product that carries information about the product itself, or about the seller?

SECTION B Short answers (20 marks)

1. Evaluate the concept of Farm Business Management (2 marks)
2. Compare the Economic and Tax depreciation. (2 marks)
3. Demonstrate the importance of record keeping (3 marks)
4. Design forms of business organisation. (3 marks)
5. Describe the importance of a Partial Budget (3 marks)
6. Describe the importance of Enterprise budgeting (3marks)
7. Describe any two components of Farm Management flow chart (4 marks)

SECTION C Essay and Calculations (30 marks)

There are three questions in this section. One question is worth 10 marks.

1. This is in 2 parts (A&B). Answer both parts.

A) Balance sheet. Complete the Balance sheet. Demonstrate the importance of a Balance sheet and evaluate the concept of Liquidity and Solvency. (6 marks)

Balance Sheet of Agro-produce BSc. II, at as 31st December, 2016

Assets		Liabilities	
Current Asset	\$3000	Current Liabilities	\$1500
Non-Current Asset	\$ _____	Non-Current Liabilities	\$ _____
		Owner Equity	\$4500
		Total Owner Equity	
Total Asset	\$ _____	plus Total Liabilities	\$8000

B) Design an income statement including its major components (4 marks)

2. Depreciation. Apply and compare the Straight line and Diminishing Value returns methods of depreciation for a tractor with a cost of \$50,000, a salvage value of \$2,000, and a useful life of 15 years. R is 20%. Show all the formula and calculations. What is value of tractor after 5 years for both the methods? (10 marks)

3. In Farm Business Management, there is a need for Decision Making because without decision nothing may happen. Even allowing things to flow along, may be a decision but not a good one. Design a Decision Making process. (10 marks)

END OF PAPER

ANSWER SHEET SECTION A

Date:

Marks obtained:

Name:

Student I D No.:

Trimester I Final Examination - 2017

AEC 603 Fundamentals of Farm Business Management

SECTION A - Answer Sheet

PART I	1.		
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PART II	1		
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PART III	1		
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PART IV	1		
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SECTION B and SECTION C

Students to be provided with ruled pages for writing answers.

