

**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 II Final Examination - 2017****AEC 702 Agribusiness Decision Making Analysis****Time Allowed: 3 hours plus (10 minutes reading time) Total Marks: 100****INSTRUCTIONS:**

1. This paper consists of six pages.
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. No written or printed material and mobile phones are allowed in the examination hall
6. Calculators are allowed.

I. SECTION A (30 Marks) to be answered only on the Answer Sheet.

PART I, Multiple choices - Attempt ALL questions (10 marks)

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

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

II. SECTION B (30 Marks)

Provide short answers - Attempt ALL questions (30marks)

III. SECTION C (40 Marks)

Essay questions - Attempt ALL questions (40 marks)

SECTION A Multiple Choices (10 Marks)

1. Provide requirement for agriculture valuation?
 - A. The land is or properly classified or zoned agricultural in accordance with the Town and Country planning regulations and provisions.
 - B. The land is solely for agricultural purpose as defined under the land use classification provisions.
 - C. The land under leasing conditions is being issued for the purpose of agriculture development.
 - D. All of the above

2. Sensitivity analysis involves computing the partial budget several different times;
 - A. using different price and yield figures each time
 - B. using different price and same yield figures each time
 - C. using only price figures
 - D. None of the above

3. In planning process, developing is a means of;
 - A. evaluating progress and readjusting
 - B. forecasting the future developments
 - C. analyzing what the situation
 - D. preparation of various alternative plans

4. Human dimension of management relates to;
 - A. intellectual capacity of people
 - B. skill and ability of people
 - C. both A and B
 - D. none of the above

5. Leadership is defined as;
 - A. alternate courses of action
 - B. grouping of activities in light of resources and situations
 - C. implementing the communications process.
 - D. helping individuals or groups to accomplish organizational goals

6. The shareholder's equity is;
 - A. mortgages, intermediate and long-term loans, equipment loans
 - B. money or goods acquired from individuals
 - C. money or other forms of assets invested into the business by the owner
 - D. long-term investments of the company

7. Gross proceeds from sale of old equipment is;
 - A. operating revenue
 - B. non-operating revenue
 - C. cost of goods sold
 - D. liabilities

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8. Net working capital is;
 - A. difference between the current assets and current liabilities of a business
 - B. total amount of the funds invested in the business
 - C. minimum amount of current assets which is needed to conduct a business
 - D. additional assets which are required at different times

 9. Characteristic of a good plan is;
 - A. restriction of power over subordinates
 - B. casual examining the impact of capital expenditures
 - C. able to use only limited control measures
 - D. employ modern techniques in production and marketing of agricultural products

 10. You as a farm manager might want to use a partial budget to analyze the effect of:
 - A. substituting commodities with similar requirements (ex: substituting 50 ha of tomatoes for 50 ha of peppers)
 - B. buying new equipment or machinery (ex: buying new equipment rather than leasing or custom-hiring or vice versa),
 - C. considering an alternative enterprise.
 - D. all of the above

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

1. In _____ budget, additional revenue to be received only if the alternative is adopted.
2. A _____ budget provides a formal and consistent method for calculating the expected change in profit from a proposed change in the farm business.
3. In partial budget, _____ costs that are now incurred which would be eliminated if the change is made.
4. _____ profit margin reflects the efficiency with which management produces each unit of product.
5. _____ is the process of finding the future value of a present amount.
6. _____ is an action oriented statement.
7. _____ represents the monetary value of all products and services that have been sold during a specified period.
8. _____ ratios measure the ability of the firm to meet its current obligations.
9. _____ is highly mobile among factors of production.
10. Working capital is the excess of _____ assets over current liabilities of a business

SECTION A

PART III True or False (10 marks)

1. Land valuation methods differ according to circumstances and will depend on the type of property being valued.
2. Time value of money means that the dollar today does not have the same value a year from now.
3. Ratio analysis of properly calculated rates can be readily compared with a farms past ratio in order to show trends.
4. Gross profit margin is obtained when operating expenses, interest and taxes are subtracted from the gross profit.
5. Cost of goods sold as the cost of opening stock of goods plus cost of purchases minus cost of clustering stock.
6. A partial budget provides an estimate of potential revenue, expenses, and profit for a single enterprise.
7. Agri-business is always market oriented.
8. Planning reduces risks and safeguards against uncertainty.
9. The goal seeking behavior or goal directing behavior of individual is called as motivation.
10. Compounding is the process of finding the future value of a present amount.

SECTION B

Short answers (30 marks)

1. Find the present value of \$7098 received 9 years in the future if the discount rate is 15 percent. The co-efficient is 0.388 **(4 marks)**
2. Demonstrate Equi-marginal Principle. **(4 Marks)**
3. Demonstrate your understanding of Gross Profit Margin and Net Profit Margin. Provide equations to support your answer. **(6 marks)**
4. Demonstrate Marginal Physical Product. **(4 marks)**
5. Analyse the Composition of Agricultural land in Fiji. **(4 marks)**
6. Demonstrate Input combinations. **(4 marks)**
7. Demonstrate Input combinations. **(4 marks)**

SECTION C**Essay (40 marks)**

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

1. If a friend promises to pay a grower \$20, 250 at the end of seven years at an interest rate of 6%. How much is that promise worth to the farmer today? Calculate and complete the table. (10 marks)

<i>Year</i>	<i>Amount at the end of the Year (\$)</i>	<i>One plus interest Rate</i>	<i>Amount at the beginning of the Year (\$)</i>
1			
2			
3			
4			
5			
6			
7			

2. Enterprise budgeting. Explain the importance and components of Enterprise budgeting. Provide formula for calculation of cost of production and break-even analysis. (10 marks)
3. Functional Approach to management
Recently developed concept of management, is to view management as series of functions. These are; Planning, Organizing, Directing, Controlling, Co-ordinating, Communicating and Motivating. Explain these functions. (10 marks)

4. Partial budgeting. Explain the importance of partial budgeting, its limitations and components. Provide interpretation for the given partial budget.

PARTIAL BUDGET

Problem: Purchase combine to replace custom hiring (100 Ha rice)

Additional Costs:		Additional Revenue:	
Fixed costs		None	
Depreciation	\$10,000		
Interest	8,000		
Taxes	100		
Insurance	300		
Variable costs			
Repairs	2,500		
Fuel and oil	1,300		
Labor	550		
Reduced Revenue:		Reduced Costs:	
None		Custom combining charge	
		100Ha @ \$20 per Ha	\$20,000
A. Total additional costs and reduced revenue		B. Total additional revenue with reduced costs	
	<u>\$22,750</u>		<u>\$20,000</u>
			<u>\$22,750</u>
		Net Change in Profit (B-A)	
			<u>(\$2,750)</u>

END