

**FIJI NATIONAL UNIVERSITY****College of Agriculture, Fisheries & Forestry****School of Agricultural Sciences****Department of Crop Production****Bachelor of Science in Agriculture****Trimester 3 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 six pages.
2. Please check that your paper has complete set of questions.
3. Answer all the Questions in the answer booklet.
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 (40 Marks)

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)

II. SECTION B (30 Marks)

Provide short answers - Attempt ALL questions (30marks)

III. SECTION C (30 Marks)

Essay and calculations - Attempt ALL questions (30 marks)

SECTION A Multiple Choices. Write the correct answer in answer booklet. (20 Marks).

1. Low volume, high value producer is characterized by lack of access to additional
 - A. land.
 - B. labour.
 - C. capital.
 - D. all of the above.
2. Farm management is basically given defined as
 - A. making the best use of available resources.
 - B. using, managing and allocating resources.
 - C. both A & B.
 - D. none of the above.
3. Changes in structure of the farms are caused by
 - A. greater off-farm employment opportunities.
 - B. labor-saving technology.
 - C. desire of farm operators for higher income.
 - D. all of the above.
4. The goals of commercial farmers are normally
 - A. multiple where profit less important.
 - B. fewer where profit is important.
 - C. multiple where profit is important.
 - D. none of the above.
5. 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 providers.
 - D. part-time operators.
6. Planning involves
 - A. setting goals.
 - B. monitoring.
 - C. implementing a plan.
 - D. comparing results.
7. Revising current plan is defined as
 - A. planning.
 - B. implementation.
 - C. adjustment.
 - D. control.
8. Planning process involves
 - A. use of records
 - B. use of Industry knowledge
 - C. use of extension officers
 - D. all of the above
9. Paying the interest and principal on loans is classified as
 - A. investment activity.
 - B. financial activity.
 - C. production activity.
 - D. none of the above.

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10. Term used to classify items that have been purchased and valued at their original cost is
- A. market basis.
 - B. cost basis.
 - C. both A and B.
 - D. none of the above.
11. An expense is a
- A. difference between business assets and business liabilities.
 - B. any item of value.
 - C. expenditure incurred in the production of revenue.
 - D. financial value of products produced for sale.
12. Which one of the following is a solvency ratio?
- A. Working Capital.
 - B. Equity/asset ratio.
 - C. Current asset ratio.
 - D. None of above.
13. The value of what is received from goods sold or money coming into farm-business is
- A. inventory.
 - B. revenue.
 - C. credit.
 - D. debit.
14. A report prepared as of a specific date, usually at the end of accounting period is called a
- A. balance sheet.
 - B. revenue.
 - C. current assets.
 - D. current liabilities.
15. The 2nd step of whole farm planning is
- A. determining objectives.
 - B. estimating gross margin.
 - C. taking inventory.
 - D. choosing a plan.
16. 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 do the above.
17. A physical count of all assets in a business with its estimated worth is
- A. revenue.
 - B. assets.
 - C. inventory.
 - D. ledger.
18. Financial plan for a farm business is termed a
- A. debit.
 - B. ledger.
 - C. assets.
 - D. budget.
19. The term used for amounts that are owed and include accounts payable and mortgages.
- A. Capital.
 - B. Debit.
 - C. Liabilities.
 - D. Assets.
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. Write the correct answer in the answer booklet.
(10 Marks)**

1. _____ budgets are constructed on a per unit basis.
2. _____ is the expected market value of the asset at the end of its assigned useful life.
3. A _____ is an obligation or debt owed to someone else.
4. The _____ coefficients for an enterprise indicate how much of a resource is required to produce one unit of the enterprise.
5. _____ is a selective exercise that attempts to systematically and objectively assess progress towards and the achievement of an outcome.
6. Account _____ is revenue for a product that has been sold or a service provided for which no payment has yet been received.
7. _____ is the physical quantity and financial value of products produced for sale that have not yet been sold.
8. _____ is the difference between business assets and business liabilities.
9. _____ are price takers.
10. _____ costs that do not exist at the current time with the current plan.

SECTION A

PART III True or False. Write the correct answer in the answer booklet (10 marks).

1. Technical coefficients are important in determining the maximum possible size of enterprises and the final enterprise combination.
2. Balance 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 an Income Statement, it is often necessary to estimate value of assets.
5. Accounting period is also referred as 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. Enterprise budget emphasizes on change in revenue and expenses.

SECTION B

Short answers are required. There are 11 questions. All questions are compulsory. (30 marks)

1. Generate and discuss your understanding of Farm Business Management. (2 marks)
2. Compare Strategic and Tactical management. (2 marks)
3. Compare Economic and Tax depreciation. (2 marks)
4. Generate and discuss your understanding on the importance of a Partial Budget (2 marks)
5. Generate and discuss your understanding on the importance of Enterprise budgeting (2 marks)
6. Generate and discuss your understanding on the uses of cash flow for farm planning. (3 marks)
7. Evaluate the importance of record keeping. (3 marks)
8. Evaluate the role of a Farm Manager.(3 marks)
9. Generate cost components of a farm enterprise. (3 marks)
10. Compare any 2 forms of business organisation. (4 marks)
11. Compare cost-basis balance sheet and market-basis balance. (4 marks)

SECTION C

Essay and calculations. All questions are compulsory. (30 marks)

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

1. Generate an income statement based on both, cash and accrual accounting system for the 2015 financial year. Use the following parameters.
 - a. November 2014: Purchased, paid for and applied fertilizer for the 2015 maize crop. \$15,000.
 - b. March 2015: Purchased and paid for seed, chemicals, fuel, etc. \$25,000.
 - c. July 2015: Purchased and charged to account fuel for drying. \$10,000.
 - d. November 2015: One half of grain sold for \$65,000. The rest placed in storage and valued at \$65,000.
 - e. January 2016: Paid bill for fuel used to dry maize. \$4,000.
 - f. June 2016: Remaining 2004 maize sold. \$65,000.

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2. Depreciation. Using the straight line and Diminishing value returns, calculate depreciation for a tractor with a cost of \$100,000, a salvage value of \$20,000, and a useful life of 15 years. Show all the formula and calculations.
R is 20%. Generate depreciation schedules using both the methods (straight line and diminishing learned in the class. What will be value of tractor at the end of 10 years? (10 marks)
 3. There are 3 components of Farm Business activities. Compare with examples these 3 farm business activities. (10 marks)

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