



**FIJIANATIONAL UNIVERSITY**

College of Agriculture, Fisheries & Forestry

School of Agricultural Sciences & Forestry

Department of Crop Production

Bachelor of Science in Agriculture

Trimester I Final Examination - 2018

**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 five 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 (40 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)

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

**II. SECTION B (20 Marks)**

Provide short answers - Attempt ALL questions (20marks)

**III. SECTION C (40 Marks)**

Essay questions - Attempt ALL questions (40 marks)

### SECTION A Multiple Choices (10 Marks)

1. The value of what is received from the goods sold; money coming into farm-business.  
A. Revenue  
B. Inventory  
C. Credit  
D. Debit
2. The 3<sup>rd</sup> stage of a farm business cycle is:  
A. Consolidation  
B. Growth  
C. Entry  
D. None of the above
3. 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
4. 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
5. 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
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. Items that have been purchased can be valued at their original cost;  
A. Cost basis  
B. Market basis  
C. Both A and B  
D. None of the above
9. An expense is a;  
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
10. Purchase of fertilizer is classified as;  
A. Investment activity  
B. Financial activity  
C. Production activity  
D. None of the above

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

1. The \_\_\_\_\_ coefficients for an enterprise indicate how much of a resource is required to produce one unit of the enterprise.
2. \_\_\_\_\_ programming can be used to select the optimal enterprise combination.
3. \_\_\_\_\_ statement describes the purpose of the farm business and its targeted products, services, and quality.
4. \_\_\_\_\_ refers to the penalty or cost of waiting with respect to different decisions on the farm.
5. A \_\_\_\_\_ is an obligation or debt owed to someone else.
6. \_\_\_\_\_ are price takers.
7. \_\_\_\_\_ equity is the difference between business assets and business liabilities.
8. \_\_\_\_\_ depreciation is linked to asset's reduced ability to produce revenue as it ages and wears out.
9. \_\_\_\_\_ budget emphasizes on change in revenue and expenses.
10. \_\_\_\_\_ analysis means analyzing how changes in key assumptions affects income and cost projections.

**SECTION A PART III True or False (10 marks)**

1. Salvage value is the expected market value of the asset at the end of its assigned useful life.
2. Evaluation is a selective exercise that attempts to systematically and objectively.
3. The control function relates to the monitoring of the activities of the business.
4. A cash Flow budget is a summary of projected cash inflows and outflows for a business over a given period.
5. Income Statement Format is the summary of revenues and expenses as recorded over time.
6. Functions of management are: Planning, Implementation, Adjustment and Control.
7. Before constructing a balance sheet, it is often necessary to estimate value of assets.
8. Tax depreciation is linked to asset's reduced ability to produce revenue as it ages.
9. Gross margin represents the remainder after cost of goods sold has been subtracted from sales.
10. Sales are the unit or dollar sales at which an organization neither makes a profit nor a loss.

## SECTION A

### **PART IV Matching - Attempt ALL questions (10 marks)**

1. Strategic Management
  2. Accounts Payable
  3. Taxable Income
  4. Strategic plan
  5. Cash accounting
  6. Horizontal Integration
  7. A shadow price
  8. Accounts Receivable
  9. Book value
  10. Solvency
- 
- a. the asset's original cost less accumulated depreciation.
  - b. Assess the resources available to the business.
  - c. is combining institutions at the same level of operation under one management.
  - d. is the marginal value product of the resource.
  - e. is carried out via a number of tactical decisions.
  - f. The liability arising from the purchase of goods and services on credit.
  - g. The difference between revenue and expenses.
  - h. Revenue recorded when and only when cash is received for sale of product or service.
  - i. A balance due from a debtor on a current account.
  - j. It provides an indication of the ability to pay off all financial obligations if assets were sold.

## SECTION B

### **Short answers (20 marks)**

1. Demonstrate your understanding of the concept of Farm Business Management. ( 2 marks)
2. Compare cost basis and market basis balance sheet. (2 marks)
3. Compare cash and accounting systems (2 marks)
4. Demonstrate the importance of a Partial Budget ( 2marks)
5. Demonstrate the importance of Enterprise budgeting (2 marks)
6. Demonstrate the uses for a Cash Flow Budget ( 5 marks)
7. Demonstrate the importance of record keeping ( 5 marks)

## SECTION C

### Calculations (40 marks)

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

1. Balance Sheet Analysis.
  - a) Complete the balance sheet.
  - b) Using the balance sheet below, generate analysis of the balance sheet. That is calculating the two (2) liquidity and two (2) solvency ratios and interpreting its values. (10 marks)

#### Balance Sheet of Agro-produce BSc. II, at as 31<sup>st</sup> December, 2016

Assets		Liabilities	
Current Asset	\$4000	Current Liabilities	\$2000
Non-Current Asset	\$ _____	Non-Current Liabilities	\$ _____
		Owner Equity	\$6000
<b>Total Asset</b>		<b>Total Owner Equity</b>	
	\$10000	<b>plus Total Liabilities</b>	\$ _____

2. Depreciation. Using the straight line and diminishing value returns methods, calculate depreciation for a tractor with a cost of \$50,000, a salvage value of \$2,000, and a useful life of 15 years. Show all the formula and calculations. (10 marks)  
A tractor costs \$50,000, a salvage value of \$5,000, and a useful life of 15 years. R is 20%. Analyse depreciation using both the methods learned in the class. What will be value of tractor at the end of 10 years? (10 marks)
3. Strategic management consists of charting the overall long-term course of the business. Demonstrate your understanding including the steps in Strategic Management. (10 marks)
4. Sole proprietorship, partnership and corporations are 3 forms of farm business organisations. Demonstrate and compare providing advantages and disadvantages of these 3 farm business organisations. (10 marks)

**END OF PAPER**