



*(Knowledge for Development)*

# **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS AND RESOURCE MANAGEMENT**

**COURSE CODE: IAE 389**

**COURSE TITLE: FARM BUSINESS MANAGEMENT II (APPLICATIONS)**

**DATE: 17<sup>TH</sup> JANUARY 2018**

**TIME: 9 – 11 AM**

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## **INSTRUCTIONS TO CANDIDATES**

**Answer Question ONE and any TWO Question.**

**TIME: 2 Hours**

**This paper consists of 4 printed pages. Please turn over.**

1. (a) Describe any **TWO** methods for valuing farm assets. (10 marks)
- (b) Briefly explain any **FOUR** records that are required by a dairy farmer. (2 marks)
- (c) Explain the criteria that must be met by an ideal recording system. (4 marks)
- (d) List **FOUR** reasons for using financial ratios to analyze the final accounts of firms. (4 marks)
- (e) Describe any **FIVE** benefits farmers derive from keeping records. (5 marks)
- (f) Explain any **FIVE** likely reasons why the majority of famers do not keep accurate farm records. (5 marks)

2. The following figures were extracted from the books of Majaribu Farm on 31<sup>st</sup> December 2016.

Item	Value (Kes)	Item	Value (Kes)
Poultry	40,000	Seeds and feeds in stock	10,000
Land	5,000,000	Fertilizer	3,000
Cattle shed	60,000	Manure	2,500
Cows/oxen	250,000	Cash in hand	10,000
Short term bills payable	15,000	Mortgage on land	40,000
Farm fences	50,000	Cash in bank	15,000
Electrical equipment	80,000	Standing crops	12,000
Ox driven implements	200,000	Crops in store	6,000
Long-term loans	50,000	Short term loans	10,000
Medium term loan payable	35,000		

Use the above data to:

- (a) Prepare the farm's balance sheet as at 31<sup>st</sup> December 2015. (14 marks)
- (b) Calculate the following ratios
  - (i). Percentage equity (2 marks)
  - (ii). Current ratio (2 marks)
  - (iii). Net capital ratio (2 marks)

3. Ouma purchased a tractor on 4<sup>th</sup> June 2016 for Kes. 9,600,000. He expects the tractor to last for ten years and have a salvage value of Kes 1,200,000.
- (a) Using the declining balance method, estimate its total depreciation for the first **FOUR** years of its useful life. (8 marks)
- (b) On one diagram, show how the tractor's estimated value varies along its useful life when one uses the reducing fraction and the declining balance methods of estimating depreciation. (12 marks)
4. Mr. Yesufu is a vegetable trader who does not keep full books of account or have a bank account. On 1<sup>st</sup> January 2015, he had the following assets and liabilities:  
On 1<sup>st</sup> January 2015, he had the following assets and liabilities:

Item	Kes	Item	Kes
Creditors	42,350	12% loan from Ms. Rafiki Sacco Ltd (Interest payable on 31 <sup>st</sup> December 2015)	36,300
Cash	18,150	Value of Vegetable stocks	29,700
Pick-up truck	620,920		
Furniture	60,050		

During the financial year Mr. Yesufu kept details of his transactions and provides you with the following information:

	Kes
Payment to suppliers	199,650
Spoiled vegetables returned to suppliers	9,680
Payments due to suppliers as at 31 <sup>st</sup> December 2015	50,820
Total annual cash receipts	294,250
Cash in hand as at 31 <sup>st</sup> December 2015	19,360
Value of stock of vegetables as at 31 <sup>st</sup> December 2015	39,380

He estimates the running expenses of his pick-up truck at Kes 1,210 a week and other sundry expenses at Kes 660 a week. Cash not otherwise accounted for should be treated as drawings.

Prepare:

(a) Summarized cash account for the year.

(10 marks)

(b) His income statement for the year (depreciating the pick-up at 20%)

(10 marks)