



(Knowledge for Development)

# **KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER**

**SPECIAL / SUPPLEMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS**

**COURSE CODE: IAE 389**

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

**DATE: 3<sup>RD</sup> OCTOBER 2018**

**TIME: 8 – 10 AM**

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## **INSTRUCTIONS TO CANDIDATES**

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

TIME: 2 Hours

This paper consists of 3 printed pages. Please turn over. ►

1. (a) Describe any **SIX** methods for depreciating farm assets. (12 marks)
  - (b) Briefly explain the methods of collecting farm household data. (3 marks)
  - (c) Explain what must be borne in mind by a farmer while deciding on what records to keep. (5 marks)
  - d) Justify the keeping of farm records. (10 marks)
2. Farm Tractor Hire and Logistics Ltd, provides services to farmers. The company's accountant has been analyzing some figures on five 50 kW tractors, of the same make, sold last year. He obtained following data:

Tractor №	New Purchase Price (Kes)	Price Received on sale / trade-in	Age at Sale (Years)	Total Hours Worked
A	5,880,000	5,250,000	1	10
B	4,200,000	892,500	4	4,000
C	4,698,750	1,407,000	3	4,500
D	4,725,000	866,250	3	6,000
E	5,906,250	3,675,000	1	2,500

Determine:

- (a) the obsolescence cost of depreciation each year for this type of tractor (using a graphical approach) (10 marks)
- (b) the wear and tear cost of depreciation for each tractor per hour (5 marks)
- (c) Which of the two is 'fixed' and which is variable? (5 marks)

3. The information below was obtained from a 5 acre farm with 2 acres under maize, 1.4 acres wheat, 1 acre beans and 0.6 acres dairy.

<i>Enterprise</i>	<i>Gross output Kshs./Acre or L.U.</i>	<i>Variable costs/Acre Kshs.</i>
Maize	10,000	7,000
Wheat	15,000	7,000
Beans	5,000	3,000
Dairy (1 Livestock Unit)	25,000	12,000

- (a) Calculate the gross margin per unit for each enterprise (16 marks)  
 (b) Compute the whole farm gross margin (4 marks)

4. (a) The following information was extracted from the books of Ridge View Farm Co. Ltd on 31<sup>st</sup> December 2013.

	000' Kes		000' Kes
Administration Expenses	3,870	Marketing Expenses	1,109
Crops Sales	48,457	Miscellaneous Income	3,045
Financial Expenses	1,370	Purchased Materials	28,348
Labour	3,357	Taxation based on profit for the year	2,893
Livestock Sales	10,491	Valuation Depreciation	10,009

Prepare the firm's Profit and Loss Account for the year ending 31<sup>st</sup> December 2013.

(15 marks)

- (b) Describe the components of a typical Balance Sheet.

(5 marks)