



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2017/2018 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER

MAIN EXAMINATION

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

COURSE CODE: IAE 482

COURSE TITLE: AGRIBUSINESS RECORDS AND ACCOUNTS


DATE: 19TH DECEMBER 2017

TIME: 11:30 AM – 1:30 PM

INSTRUCTIONS TO CANDIDATES

Answer BOTH questions in section A and any TWO in sections B.

TIME: 2 Hours

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

SECTION A (30 MARKS)

Answer BOTH questions from this section.

1. (a) Explain the following terminologies as used in the course:
 - (i) Financial Statement (2 marks)
 - (ii) Record (2 marks)
 - (iii) Re-order level (2 marks)
 - (iv) Re-order quantity (2 marks)
- (b) Describe the process of purchasing materials in an agribusiness firm that has specialized functional units. (7 marks)
2. (a) Explain why assets lose value. (3 marks)
- (b) Distinguish between “Depreciable amount” and “Depreciation”. (2 marks)
- (c) The management of Kobole Enterprises has to choose between a Centralized and a Decentralized purchase system. Explain the factors that should be borne in mind when making the decision. (10 marks)

SECTION B (40 MARKS)

Answer ANY TWO questions from this section.

3. (a) The owner of an agribusiness is confused, and comes to you for help. The financial statements for his business, prepared by an accountant, for the last accounting period revealed an increase in profit of Kes 550,000. However, during the accounting period the bank balance declined by Kes 300,000. What reasons might explain this apparent discrepancy?
- (b) The following is the balance sheet of XZ Company as at 31st December 2015:

Balance sheet as at 31st December 2015

	Kes	Kes	Kes
Non-current assets			25,300
Machinery			
Current assets			
Inventories	12,200		
Trade receivables	21,300		
Prepaid expenses (rates)	400		
Cash	<u>8,300</u>		
		<u>42,200</u>	
Less Current liabilities			

Trade payables	16,900		
Accrued expenses (wages)	1,700		
		<u>18,600</u>	
			<u>23,600</u>
			<u>48,900</u>
Capital			
Original			25,000
Retained profit			<u>23,900</u>
			<u>48,900</u>

During 2016, the following transactions took place:

- (i) The owners withdrew capital in the form of cash of Kes. 23,000.
- (ii) Premises were rented at an annual rental of Kes. 20,000. During the year, rent of Kes. 25,000 was paid to the owner of the premises.
- (iii) Rates on the premises were paid during the year for the period 1st April 2016 to 31st March 2017 and amounted to Kes. 2,000.
- (iv) Some machinery (a non-current asset), which was bought on 1 January 2015 for Kes. 13,000, has proved to be unsatisfactory. It was part-exchanged for some new machinery on 1st January 2016, and XZ Limited paid a cash amount of Kes. 6,000. The new machinery would have cost Kes. 15,000 had the business bought it without the trade-in.
- (v) Wages totalling Kes. 23,800 were paid during the year. At the end of the year, the business owed Kes. 860 of wages.
- (vi) Electricity bills for the four quarters of the year were paid totalling Kes. 2,700.
- (vii) Inventories totalling Kes. 143,000 were bought on credit.
- (viii) Inventories totalling Kes. 12,000 were bought for cash
- (ix) Sales revenue on credit totalled Kes. 211,000 (cost Kes. 127,000).
- (x) Cash sales revenue totalled Kes. 42,000 (cost Kes. 25,000).
- (xi) Receipts from trade receivables (debtors) totalled Kes. 198,000.
- (xii) Payments to trade payables (creditors) totalled Kes. 156,000.
- (xiii) Van running expenses paid totalled Kes. 17,500.

The business uses the reducing-balance method of depreciation for non-current assets at the rate of 30 per cent each year.

Prepare the firm's balance sheet as at 31st December 2016 and an income statement (profit and loss account) for the year to that date.

4. (a) Explain the Criteria for supplier selection (5 marks)
- (b) Explain the meaning of the statement "Records support the planning, implementation and control functions of management." (15 marks)

5. The following states the affairs of Ms. Wafula's farm during October and November 2017. On 2nd October she sold two cows to Mr Khayemba, one for Kes 38,000 and the other for Kes 52,000. Four days later, she sold six bags of maize at Kes 3,200 each. On 10th October she sold 200 eggs at Kes 15 each. On 15th October Ms. Wafula bought four hoes costing 500 each. On 23rd October she sold 150 eggs at the same price as before. On 25th October she bought 50 kg of layer's mash for her layers for 1,800. On 30th October she sold two 50 kg bags of beans at 6,000 each.

On 31st October she paid casual labourers Kes 3,600 for doing maintenance work on her house and tobacco barns. About a quarter of their time had been spent on her house.

Ms. Wafula bought a mortise lock and an axe, which cost Kes 1,700 and Kes 600 respectively on 4th November. On 5th November she sold 200 eggs at Kes 18 each. On 7th November she paid Kes 600 to hire two oxen and a cart. On 10th November she paid Kes 5,000 for two bags of fertiliser. Ten days later she sold some bamboo for Kes 1,200. On 30th November she took Kes 1,800 out of the farm cash box for her own use and bought a maize production guide for Kes 450.

Ms. Wafula and her family consumed seven baskets of maize during October and November. These cylindrical baskets are 0.5 m in diameter and 6 m high. She estimates that a cubic metre contained 300 kg of maize on the cob. Shelling percentage is about 70 and maize could have been sold for Kes 3,200 per 90 kg bag. Ms. Wafula also used 32 eggs in October and 16 eggs in November that he could have sold for Kes 15 and Kes 18 each respectively. On 20th October a goat was consumed that could have been sold for Kes 3,500. Finally, she estimates that she and her family consumed vegetables worth \$1.20 during the two months.

- (a) Set the information out as if entering it into a cash analysis book, including details of produce consumed by Ms. Wafula and her family. (15 marks)
- (b) Calculate her farm profit for these two months, ignoring any valuation changes that may have occurred. (5 marks)