



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021 / 2022 ACADEMIC YEAR

SECOND YEAR 2ND SEMESTER
MAIN EXAMINATION

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

COURSE CODE: AEC 224

COURSE TITLE: FINANCIAL MANAGEMENT AND
ACCOUNTING IN AGRICULTURE

DATE: 17TH MAY 2022

TIME: 2 – 4 PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other two (2) Questions.

TIME: 2 Hours

This paper consists of 3 printed pages. Please Turn Over



KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

30 MARKS

- (a) Define the term financial management; **(2 Marks)**
- (b) outline the three elements key to the process of financial management and its limitations **(8 Marks)**
- (c) Identify the fundamental features that distinguish ordinary shares from preference shares **(10 Marks)**
- (d) Define the following terms used in Financial Management
- (i) Corporate Social responsibility **(2Marks)**
 - (ii) Hire Purchase **(2Marks)**
 - (iii) Equity Finance **(2Marks)**
 - (iv) Capital Budgeting **(2Marks)**
 - (v) Zero Based Budgeting **(2Marks)**

QUESTION TWO

20 MARKS

- (a) Distinguish between risk and exposure, as used in financial management **(2 Marks)**
- (b) Explain six major types of financial risks. **(18 Marks)**

QUESTION THREE

20 MARKS

- (a) Although profit maximization has long been considered as the main goal of a firm, shareholder wealth maximization is gaining acceptance among most companies as the key goal of the firm.
- (i) Distinguish between the goal of profit maximization and wealth maximization **(6 marks)**
 - (ii) Explain the two limitations of profit maximization **(4marks)**
- (b) What is your understanding of the term Financial Planning? Explain four characteristics of a good financial plan **(10 Marks)**

QUESTION FOUR**20 MARKS**

- (a) Briefly describe the important financial statements used to carrying out the financial analysis of an agricultural business? (5 Marks)
- (b) The following information relates to the flexible budget at 50% capacity of Sango distributors for the year 2021. (15 Marks)

Particulars	Expenses at 50% capacity
Variable overheads:	
Indirect Labour	10,500
Indirect Materials	8,400
Semi-variable overheads:	
Repair and Maintenance (70% fixed; 30% variable)	7,000
Electricity (50% fixed; 50% variable)	25,200
Fixed overheads:	
Office expenses	70,000
Insurance	4,000
Depreciation	20,000

- (i) Use the information provided to estimate the overhead costs at 40% and 80% capacity.
- (ii) Given estimated sales figures at 40% capacity as KSh. 142,300; and at 80% capacity at KSh.146,250, calculate expected profit/loss should the business operate at 40% and 80% capacities.

QUESTION FIVE**20 MARKS**

Write short notes on the following financial analysis techniques

- (i) Pay Back Period (4Marks)
- (ii) Accounting rate of return, (4Marks)
- (iii) Net present Value; (4Marks)
- (iv) Internal rate of return, (4Marks)
- (v) Profitability index or cost profit ratio (4Marks)