KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS 2021/2022 ACADEMIC YEAR

FOURTH YEAR 2ND SEMESTER SPECIAL/SUPPLEMENTARY EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURE ECONOMICS AND RESOURCE MANAGEMENT

COURSE CODE: AEC 429

COURSE TITLE: FARM MANAGEMENT AND ACCOUNTS

DATE: 17TH NOVEMBER 2022   **TIME:** 2 – 4 PM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 4 printed pages. Please Turn Over ▶

Question One

a) Explain importance of complete budgeting to a farmer   (4 Marks)

b) There are key performance measures driven by three critical issues facing every
farmer. Discuss these issues.   (4 Marks)

c) Explain assumptions of linear programming   (4 Marks)

d) Explain the information needed for program planning   (3 marks)

e) Discuss and give at least an example in each case the characteristics upon which
decisions are classified in farm management   (3 Marks)

f) Briefly discuss any three circumstances that call for preparation of partial budgets by
farmers.   (3 Marks)

g) Karan, the farm manager of Sun valley Farm intends to conduct a farm survey but has
no idea on the information required. Explain to him the types of data that he might
require.   (3 Marks)

h) Discuss any four management factors that farmers consider when evaluating the
performance of a farm business.   (4 Marks)

i) Explain five advantages of division of labour in farm operations   (5 Marks)

Question Two

A farmer purchased a machinery for Kshs 375,000/= on 1st of October, 2016 with a salvage
value of Kshs 25,250/= and a useful life of 10 years. Use your knowledge of depreciation as
an expense in enterprise budgeting to compute the following:

a) The annual depreciation for the three (3) mainstream depreciation methods for the first 5
years of the machinery   (14 Marks).

b) The book value of the machinery at the end of 4th year under each method.   (2 Marks)

c) State and briefly explain any four (4) causes of depreciation of an asset.   (4 Marks).

Question Three

a) Given the information below advice Mr. Ole Kamwaro, if he should change to maize production or continue producing wheat

Enterprise A: Wheat (150 acres, 1800 KGS/Acre yield)

Variable costs	KSh
Seed	900
Fertilizer	2500
Pesticides	1600
Tractor hire	1500
Casual labour	2000
Harvesting	2440

Fixed costs specific to wheat production in KSh

Depreciation of machinery	2,680
Warehouse rent	17,500
Sales of Wheat	42 Ksh/Kg

Enterprise B: Maize (98 acres, 1400kgs/acre yield)

Variable costs	KSh
Seed	600
Fertilizer	1750
Pesticides	1260
Tractor hire	1500
Casual labour	1600
Harvesting	800

Fixed costs specific to maize production in KSh:

Depreciation of machinery	680
Warehouse rent	7,500
Sales of Maize	23 KSh/Kg

(15 Marks)

b) Discuss the steps involved in farm planning process

(5 Marks)

Question Four

a) Discuss factors to consider when planning a farm layout.

(5 Marks)

b) Discuss the steps considered in farm planning process

(10 Marks)

c) Distinguish between complete and partial budget

(5 Marks)

Question Five

a) Explain the two major methods of determination of optimum combination of optimum combination of enterprises in a farm. (4 Marks)

b) You are provided with the following data regarding the relationship between the amounts of concentrate feed fed to a dairy cow and milk production. (16 Marks)

Concentrate (Kg)	Milk (Litres)
1	60
2	88
3	108
4	124
5	136
6	144
7	148
8	144
9	136

Given that the prices of concentrate and milk are KShs. 240 per Kilogram and KShs. 30 per Litre respectively. Using the Marginal Value Product Concept, what is the optimum amount of concentrate that maximizes