



*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2022/2023 ACADEMIC YEAR**

**SECOND YEAR 2ND SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF SCIENCE AGRICULTURE AND  
BIOTECHNOLOGY**

**COURSE CODE:** AEC 224

**COURSE TITLE:** FINANCIAL MANAGEMENT AND ACCOUNTING  
IN AGRICULTURE

**DATE:** 18<sup>TH</sup> APRIL 2023

**TIME:** 2 – 4 PM

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**INSTRUCTIONS TO CANDIDATES**

Answer Question ONE and any other TWO 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**

1. Define the term financial planning and explain its objectives (10 Marks)
2. What is the meaning of the following terms (10 Marks)
  - a) Accounting rate of return
  - b) Budgetary control
  - c) Accounting
  - d) Repayment capacity
  - e) Company Shares
3. The following information is provided for Mitumba Agency for the year ended Dec 2022: (i) Current Assets - KSh. 600,000, (ii) Current Liabilities – KSh. 120,000, (iii) Credit Sales – KSh. 1,200,000, (iv) Cash Sales – KSh. 260,000, (v) Sales Returns – KSh. 20,000.
  - a) Calculate Working Capital Turnover Ratio. (8 Marks)
  - b) Interpret this result for the Board of Mitumba agency (2 Marks)

**QUESTION TWO****20 MARKS**

1. Briefly discuss any five types of budgets (10 Marks)
2. In developing countries most farmers are capital starved and require credit at the right time, through appropriate channels and in adequate quantity to realize maximum productivity. Outline the 5Cs of credit analysis the lenders use to assess farmers suitability for credit (10 Marks)

**QUESTION THREE****20 MARKS**

Explain the factors affecting a firm's capital structure

**QUESTION FOUR****20 MARKS**

What is financial management and what are the goals of a firm from a financial management perspective

**QUESTION FIVE****20 MARKS**

1. Define the term financial statement; and discuss three main financial statements that a finance department should prepare (10 Marks)
2. From the entries in the cash book of Prince counselling services for the month of February, 2022 shown below, prepare the business's cash flow statement: (10 Marks)

**Cash book Prince counselling services February, 2022**

<b>Cash received</b>		<b>£</b>
Feb. 1	Capital contributed by Partners	140,000
Feb. 3	Loan from equity bank	150,000
Feb. 15	Counselling Fees received from clients	7,620
	Total cash received	297,620
<b>Cash paid</b>		
Feb. 1	buildings	250,000
Feb 5	Prepayment of insurance premium	540
Feb. 26	Supplier for office equipment	30,000
Feb. 30	Staff Salaries	1,800
	Total cash paid	282,340
	Bank Balance as at 28 February	15,280