



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

DIPLOMA IN AGRICULTURAL EDUCATION AND EXTENSION

AGB 0223: FARM BUSINESS ACCOUNTING

DATE: 9/8/2021

TIME: 2.00-4.00 PM

INSTRUCTIONS:

Answer **Question ONE** and **ANY TWO** other questions

QUESTION ONE (30 MARKS)

- a) Explain the importance of farm budgeting in a business environment (4 marks)
- b) Explain five importance of strategic farm business planning in farm management (5 marks)
- c) Explain three subsystems of a farm system (9 marks)
- d) Differentiate between parametric and non-parametric measures of farm efficiency (4 marks)
- e) Explain four methods of capital budgeting as applied in farm management (8 marks)

QUESTION TWO (20 MARKS)

- a) The distinctive nature of agricultural production makes farm management different from the management of an industry. Citing relevant examples from agricultural production, describe five the unique features of farm management (10 marks)
- b) Describe five functions of a farm manager in an agricultural enterprise (10 marks)

QUESTION THREE (20 MARKS)

- a) Using relevant examples, discuss four importance of keeping farm accounts (8 marks)
- b) Explain four roles of a farm manager in an enterprise (4 marks)
- c) At the end of the year 2020, the record on how Musyoka commercial farm spent and received money was as follows;

Particulars	Ksh
Dairy cattle expenses	4,300
Sales of steers to KMC	16,200
Beef cattle expenses	4,350
Culled cow and heifers sale	15,320
Opening valuation form (Jan 2020)	190,000
Sale of cross bred heifer	9,000
Milk sales	36,400
Rent	10,000
Closing valuation (Dec 2020)	187,500
Purchase of new machine	5,000
Other expenses	10,000
Wages and salaries	24,000

Using the information given above, draw a profit and loss account for Musyoka farm for the year ended 31st December 2020 (8 marks)

QUESTION FOUR (20 MARKS)

- a) If a young farmer borrowed Ksh 250,000 to undertake a broiler enterprise and makes a profit of Ksh 200,000 per year, compute the payback period (2 marks)
- b) Discuss four models of decision making process applied in farm management (8 marks)
- c) Describe five farm management tools as used by farmers in management of various enterprises (10 marks)

QUESTION FIVE (20 MARKS)

- a) Describe three gross margin-based indicators of enterprise performance that are commonly used in whole farm planning (6 marks)
- b) Describe the differences between complete budgeting and partial budgeting (6 marks)
- c) Describe four components of farm business management and how they affect optimization of farm resources (8 marks)