

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF AGRICULTURE AND ENVIRONMENTAL SCIENCE

**Department of Agricultural Economics, Education and Extension
BSc Agricultural Science Part Two Examination**

AGM 212

Farm Business Management

3 HOURS (100 Marks)

INSTRUCTIONS

1. Answer any four questions
2. Each question carries 25Marks

MAR 2024

1. The following is the whole farm budget for Mr Mahara.

Enterprise	Area (ha)	Price (\$/kg)	Yield (kg/ha)	Variable Costs (\$/ha)	Gross Income (\$/ha)	Gross Margin (\$/ha)	Total Gross Margin (\$)
Potatoes	2	100	20 000	1 000			
Cassava	1	150	10 000	500			
Bananas	3	80	50 000	1 500			
Whole farm gross margin (WFGM)							
Fixed costs = (assume 10% of total variable costs)							
Net Farm Income (NFI)							
Off-farm income					\$500		
Net household income							

- a) Calculate the gross margin for crops grown by Mr Mahara.
- b) Calculate the Net Farm Income (NFI) for Mr Mahara.
- c) Explain the uses of the whole farm budget.

**[12marks]
[5marks]
[8marks]**

2. The Dean of Faculty of Agriculture ordered the senior technician to plan his staff and all necessary equipments at the farm before the onset of rains so that there will be no disturbances during the rainy season.

- I. Explain the term planning
- II. What is the importance of planning the farm resources before the rains comes.
- III. Explain the process that can be followed to plan the farm resources by the farm manager.

**[5marks]
[5 marks]
[15marks]**

3. Distinguish the following

- I. Tactical from strategic.
- II. Profits from revenue
- III. Controlling from directing

[8 marks]

[8marks]

[9marks]

4. Mr Mushama uses old combine harvester to combine all his crops. He, however, is considering renting a combine harvester from local machinery dealer because he thinks his net income is affected by high combine costs. Mr Mushama is paying \$22 per hectare for harvesting his crops and the combine harvesters are available to remove the crop on time, thus now worry of crop losses due to delayed harvest. However, he can rent a combine harvester for \$15 per hectare from local dealer and this will cost him \$3.50 per hectare for fuel and oil. Mr Mushama has labour available to operate the combine at \$6 per hour. It is estimated that it will take 0.7 hours of additional labour per hectare to complete the harvest and a total of 600 hectares will be harvested.

a) Use the facts to construct a partial budget for Mr Mushama and advise him on his idea.

[20 marks]

b) What are the uses of partial budget?

[5marks]

5. Simango N. Assets has taken inventory and has collected the following information on the value of everything he owns and owes as of December 31, 2022

Land and buildings	\$400,000	Breeding livestock owned.	\$35,000
Crops in storage.....	\$30,000	Feeder livestock owned.	\$14,000
Mortgage on land.....	\$225,000	Cash rent owed to his landlord.	\$6,000
Machinery owned.....	\$65,000	Feed in storage	\$2,000
Loans owed on machinery	\$12,000	Production loan outstanding.....	\$9,000
Taxes owed	\$1,000	Supplies in storage.....	\$7,000
Cash on hand.....	\$3,000	Fuel in storage.	\$500

- I. Calculate total value of Simango assets
- II. Calculate the total value of liabilities for Simango
- III. What is the net worth of Simango?
- IV. What is the value of current assets for Simango?
- V. What is the value of current liabilities for Simango?

[5marks]

[5marks]

[5marks]

[5marks]

[5marks]

6. Discuss the factors influencing profitability of an agricultural enterprise

[25marks]

END OF PAPER