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University Examinations 2013/2014

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR CERTIFICATE/DIPLOMA IN
AGRICULTURE

BUS 0260 – FARM MANAGEMENT AND ACCOUNTING

DATE: DECEMBER 2013

TIME: 1 $\frac{1}{2}$ HOURS

INSTRUCTIONS: Answer question *one* and any other *two* questions

QUESTION ONE – 30 MARKS

- (a) Explain the business accounting cycle. (6Marks)
- (b) Distinguish between risks and uncertainties. Give an example of each. (6Marks)
- (c) Explain the various types of cash books (6Marks)
- (d) State the reasons of preparing a cash budget. (6Marks)
- (e) State the limitations of the Gross Margin Analysis. (6Marks)
- (f) Explain any five books used in Farm Accounting. (6Marks)

QUESTION TWO – 15 MARKS

- (a) Explain the five golden rules of farm accounting. (5Marks)
- (b) Explain the various classifications of farm accounts. (5Marks)
- (c) Distinguish between fixed costs and variable costs. (5Marks)

QUESTION THREE – 15 MARKS

(a) The following information appeared in the books of PQR farm. Prepare a balance sheet by first calculating capital. (10Marks)

Item	Amount (DR)	Amount (CR)
Cash crops	200,000	
Perennial crops	100,000	
Debts	20,000	30,000
Expenses	50,000	
A.F.C Loan		150,000
Bank Overdraft		50,000
Cash	70,000	
Machinery	300,000	
Tools	40,000	
Motocars	50,000	

(b) Explain why a Trial Balance may not balance. (5Marks)

QUESTION FOUR – 15 MARKS

(a) The following information is in the books of XYZ farm on 1/1/2000

Month	Sales	Labour Cost	Materials cost	Fixed costs
JAN	20,000	5,000	4,000	1,000
FEB	21,000	3,000	3,000	1,000
MARCH	22,000	4,000	4,000	1,000
APRIL	30,000	3,000	3,000	1,000
MAY	20,000	3,000	3,000	1,000

The balance b/f Jan first sh. 10,000 cash

Required:

Prepare a three months cash flow budget starting 1/1/2000. (10Marks)

(b) Explain the procedure of preparing the complete budget.

(5Marks)

QUESTION FIVE – 15 MARKS

(a) Discuss the documents used in the process of credit transaction in the order in which they are used.

(10Marks)

(b) Explain the following:

(i) Assets

(ii) Liabilities

(iii) Capital

(iv) Carriage inwards

(v) Contra Entry