



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2012/2013

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

BUS 0260: FARM MANAGEMENT & ACCOUNTS

DATE: DECEMBER 2012

TIME: 1 ½ HOURS

INSTRUCTIONS: Answer question *ONE* and any other *TWO* questions

QUESTION ONE – 30 MARKS

- (a) State and explain the functions of Management. (10Marks)
- (b) Explain the business cycle (10Marks)
- (c) Distinguish between the Trial Balance and the Profit and Loss Account (5Marks)
- (d) Distinguish the fixed costs and the variable costs by listing the differences. (5Marks)

QUESTION TWO – 15 MARKS

- (a) State and explain any five books used in farm accounting. (10Marks)
- (b) Explain any five errors that cannot be shown by the Trial Balance. (5Marks)

QUESTION THREE – 15 MARKS

The following information belongs to XYZ farm:

Item	(Ksh)	Item	Kshs
Capital	250,000	Salaries	47,200
Drawings	32,500	Furniture	25,000
Stock 1-1-2011	46,100	Motor Car	60,000
Stock 31-12-2011	750,000	Debtors	48,500
Purchases	284,400	Creditors	52,800
Sales	415,300	Cash	29,100
Returns inwards	3,600	Bank	600
Returns outwards	6,700	Discount allowed	3,400
Carriage in	27,900	Discount received	1,900
Carriage out	10,000	General expenses	31,700
Premises	100,000	Rent Income	23,300

- (a) Prepare a Profit and Loss Account (10Marks)
(b) Prepare a Balance Sheet (5Marks)

QUESTION FOUR – 15 MARKS

- (a) Explain the various types of Cash Books. (5Marks)
(b) Explain the uses of the break even budgeting. (10Marks)

QUESTION FIVE – 15 MARKS

- (a) Discuss the limitations of Gross Margin Budgeting (10Marks)

- (b) A farmer is planting Barley and wants to change to wheat. He estimates that the fixed costs will increase by Shs. 5,000 while the other costs are as follows:-

Variable costs Barley - Sh. 20,000

Wheat- Sh. 24,000

Gross output is as follows:

Barley 20/90kg bags @ 3,000/=

Wheat x/90kg bags @ 2,500/=

How much should wheat (x) be to break even Barley. (5Marks)