



**MERU UNIVERSITY COLLEGE
OF SCIENCE & TECHNOLOGY**

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University Examinations 2011/2012

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR DIPLOMA IN
AGRICULTURAL EDUCATION AND EXTENSION/DIPLOMA IN AGRICULTURE

BUS 0260: FARM MANAGEMENT AND ACCOUNTS

DATE: DECEMBER 2011

TIME: 1½ HOURS

INSTRUCTIONS: Answer question one and any other two questions

QUESTION ONE – (30 MARKS)

- (a) State and explain the goals of farm management (6 Marks)
- (b) Distinguish and give examples between risks and uncertainties. (4 Marks)
- (c) State the various needs for agricultural loan (6 Marks)
- (d) Complete the following table to show the action on the ledger accounts related to the under listed items (4 Marks)

Item	Increase	Decrease
Assets	Dr	Cr
Liabilities		
Capital		
Expenses		
income		

- (e) Briefly describe the following methods of budgeting (10 Marks)
 - (i) Practical budgeting
 - (ii) Complete budgeting
 - (iii) Gross margin analysis
 - (iv) Cash flow budgeting

QUESTION TWO – (15 MARKS)

- (a) Explain why a farm manager must keep and use records. (10 Marks)
- (b) Explain the questions that are answered by a complete budget. (5 Marks)

QUESTION THREE – (15 MARKS)

The following information relates to Mkulima Agrovvet.

	Dr	Cr
Capital		350,000
Lighting and heating expenses	18,400	
Postage expenses	7,700	
Purchases	478,900	
Machinery	80,000	
Drawings	61,200	
Rates and insurance	21,300	
Sales		743,700
Returns inwards	34,500	
Furniture	41,500	
Salaries	68,200	
Returns outwards		29,800
Discount allowed	12,300	
Motor car	75,000	
Carriage inwards	36,700	
Carriage outwards	11,400	
Stock 1.1.2010	69,900	
Discount received		19,900
Rent	32,400	
Transport	44,500	
Debtors	58,800	
Creditors		47,800
Bank	27,700	
Cash	<u>9,800</u>	
	<u>1,191,200</u>	<u>1,191,200</u>

Stock 31.12.2010 Sh.77,700

Required:

- (a) Prepare a profit and loss A/C (10 Marks)
- (b) Prepare a balance sheet (5 Marks)

QUESTION FOUR – (15 MARKS)

Discuss the procedure of sourcing for a loan funding. (15 Marks)

QUESTION FIVE – (15 MARKS)

- (a) State any five risks and uncertainties facing agriculture and state a remedy for each. (10 Marks)
- (b) Distinguish between variable costs and fixed costs by factors. (5 Marks)