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University Examinations 2012/2013

SECOND YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN AGRICULTURE

BUS 0260: FARM MANagements AND ACCOUNTS

DATE: APRIL 2013

TIME: 1½HOURS

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

QUESTION ONE – (30 MARKS)

- a. Explain the meaning of the following terms: (8 Marks)
- Management
 - Farm
 - Farm management
 - Risks
- b. State and explain the basic principles of farm accounting. (8 Marks)
- c. Distinguish between fixed factors and variable factors used in agriculture. (6 Marks)
- d. State the double entry concept. (2 Marks)

QUESTION TWO – 15 MARKS

- a. Explain the principles of a good budgeting system. (8 Marks)
- b. The following information appeared in the books of XLFarm

	Sales (Sh)	Purchase (Sh)	Wages (Sh)	Factor Expenses	Office Expenses
February	80,000	45,000	9,000	7,500	6,000
March	84,000	48,000	97,500	16,000	6,000
April	90,000	52,500	10,500	9,000	6,000
May	120,000	60,000	13,500	11,250	6,000
June	135,000	60,000	14,250	14,000	6,000

Prepare a three months cash budget starting February. The balance b/d January = 00/= (7 Marks)

QUESTION THREE – 15 MARKS

- a. A farmer in Mau has of land and intends to plant wheat instead of maize. He estimates that the fixed costs will hardly by change. The other costs (VC) and gross output are shown in the table below:

	Description	Maize	Wheat
		Amount (Sh)	Amount (Sh)
1	Fertilizer	5,000	6,000
2	Labour	2,000	1,000
3	Machinery	1,000	3,000
4	Chemicals	500	4,000
5	Output	20 bags	
6	Price/Bay	3,000	6,000

How much should the output of wheat be to break even maize. (8 Marks)

- b. State the weaknesses of the gross margin budgeting. (7 Marks)

QUESTION FOUR – 15 MARKS

- a. State and explain any five documentations of a credit transaction. (10 Marks)
 b. State the errors disclosed by a trial balance. (5 Marks)

QUESTION FIVE – 15 MARKS

- a. Explain the types of cash books. (6 Marks)
 b. In the books of ABC farm as at 31st December 2009

Particulars	Dr (Amount)	Cr (Amount)
Land	70,000	
Buildings	170,000	
Wages	20,000	
Rent	10,000	
Carriage inwards	5,000	
Electricity	2,000	
Discount	8,000	5,000
Returns of stock	4,000	12,000
Rent income		24,000
Opening stock	50,000	
Closing stock	40,000	
Sales		300,000
Purchases	150,000	
Creditors		3,000
Debtors	6,000	

Prepare a profit and loss account. (9 Marks)