



MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2010/2011

SECOND YEAR, FIRST SEMESTER EXAMINATIONS FOR DIPLOMA IN AGRICULTURE

BUS 0260: FARM BUSINESS AND MANAGEMENT ACCOUNTS

DATE: AUGUST 2011

TIME: 1½ HOURS

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

QUESTION ONE – (30 MARKS)

- (a) State the management guidelines questions. (5 Marks)
- (b) State the importance of keeping farm records. (5 Marks)
- (c) Outline the functions of the farm manager. (10 Marks)
- (d) Discuss the uses of the following financial statements
 - (i) Ledger
 - (ii) Balance sheet
 - (iii) Profit and loss account
 - (iv) The trial balance
 - (v) The cash book (10 Marks)

QUESTION TWO – (15 MARKS)

- (a) Discuss the concept of the business cycle. (7 Marks)
- (b) Discuss briefly, the various books of accounting. (8 Marks)

QUESTION THREE – (15 MARKS)

You are provided with the following information.

**STEVEN FARM
TRIAL BALANCE
As at 30th June 2010**

	Dr	Cr
Premises	150,000	
Purchases	393,800	
Creditors		49,100
Wages	52,500	
Motor cars	58,000	
Sales		560,500
Capital		300,000
Drawings	42,200	
Furniture	25,000	
Returns inwards	11,500	
Returns outwards		17,300
Rates	16,800	
Opening stock	44,400	
Discount allowed	11,100	
Discount received		23,400
General expenses	29,400	
Debtors	56,700	
Carriage inwards	38,900	
Carriage outwards	16,400	
Advertisement	7,400	
Cash	3,300	
Bank		16,900
Postage, electricity	<u>9,800</u>	<u> </u>
	<u>967,200</u>	<u>967,200</u>
Closing stock 30.6.10 – 90,800		

Required:

- (a) Prepare a profit and loss account. (10 Marks)
- (b) Prepare a balance sheet. (5 Marks)

QUESTION FOUR – (15 MARKS)

Discuss the following methods of budgeting

- (a) Partial budgeting
- (b) Break-even budgeting
- (c) Cash flow analysis
- (d) Gross margin budgeting
- (e) Complete budgeting

(15 Marks)

QUESTION FIVE – (15 MARKS)

- (a) Distinguish between variable factors and fixed factors of production.
- (b) Explain the various books used in accounting.

(9 Marks)

(6 Marks)