



**MASINDE MULIRO UNIVERSITY OF
SCIENCE AND TECHNOLOGY
(MMUST)**

MAIN CAMPUS, BUNGOMA, WEBUYE

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

THIRD YEAR SEMESTER TWO EXAMINATIONS

**FOR THE DEGREE
OF
BSC IN AGRIBUSINESS MANAGEMENT AND MARKETING**

COURSE CODE: AEC 302

COURSE TITLE: FARM BUSINESS MANAGEMENT

DATE: Monday 24TH April 2023

TIME: 8.00-10.00AM

INSTRUCTIONS TO CANDIDATES

Attempt QUESTION ONE and any other two questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over. ►

QUESTION ONE (30 MARKS)

- a) Discuss the various methods of minimizing risks and uncertainties in the Agricultural sector. (8 Marks)
- b) Explain the functions of a farm manager of a multipurpose farm. (6 Marks)
- c) Distinguish between “Farm records” and “Farm Accounts” and in each case give three (3) examples and the use of each (8 Marks)
- b) State and briefly explain any four (4) purposes of keeping farm records (4 Marks)
- c) Discuss any four (4) difficulties often encountered in keeping farm records. (4 Marks)

QUESTION TWO (20 MARKS)

- a) Define production function and explain the three ways of presenting the production function. (5 Marks)
- b) List the assumptions of the production function. (5 Marks)
- c) Using a relevant diagram, distinguish between iso-cost and budget line. (5 Marks)
- d) Highlight the characteristics of Agricultural products. (5 Marks)

QUESTION THREE (20 MARKS)

The MMUST Multipurpose Farm had the following in the Farm records for the month of March, 2023.

March	1	Started farm with capital in cash of KES 25,000/=
“	2	Bought goods on credit from the following persons: R.M. Mutinda KES 5,400/=; L.K. Wangechi KES 8,700/=; J.A. Odhiambo KES 2,500/=; E.O. Magero KES 7,600/=; and C.K. Sang KES 6,400/=.
“	4	Sold goods on credit to E.M. Mburia KES 4,300/=, J.A. Ojala KES 6,200/=, and A.M. Mukatia KES 17,600/=.
“	6	Paid land rent by cash KES 1,200/=.
“	9	E.M. Mburia paid us his account by cheque KES 4,300/=.
“	10	A.M. Mukatia paid us KES 15,000/= by cheque.
“	12	We paid the following by cheque: J.A. Odhiambo KES 2,500/=; R. M. Mutinda KES 5,400/=.
“	15	Paid transport by cash KES 2,300/=.
“	18	Bought goods on credit from L.K. Wangechi KES 4,300/=; E.O. Magero KES 11,000/=.
“	21	Sold goods on credit to J.A. Ojala KES 6,700/=.
“	31	Paid land rent by cheque KES 1,800/=.

- (a) Enter up the necessary accounts using your knowledge of the Double entry system for the month of May for the MMUST Multipurpose Farm. (14 Marks)
- (b) State and briefly explain the three (3) methods of inventory valuation. (6 Marks)

QUESTION FOUR (20 MARKS)

You are provided with the trial balance for XYZ farm for the period ended 31 December 2022

	Sh.	Sh.
Premises	150,000	
Purchases	393,800	

Creditors		49,100
Wage	52,500	
Motor car	58,000	
Sales		560,500
Capital		300,000
Drawings	42,200	
Furniture	25,000	
Return 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	
Carriage inwards	38,900	
Carriage outwards	16,400	
Advertisement	7,400	
Bank loan		16,900
Cash	3,300	
Postage fees and electricity	9,800	
Debtors	<u>56,700</u>	
	<u>967,200</u>	<u>967,200</u>

Required:

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