

CHUKA

UNIVERSITY



UNIVERSITY EXAMINATIONS

RESITS/SPECIAL EXAMINATIONS

**THIRD YEAR EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF SCIENCE IN AGRICULTURAL ECONOMICS**

AGEC 343: FARM MANAGEMENT

STREAMS: AGECE, AGBM

TIME: 2 HOURS

DAY/DATE: MONDAY 28/8/2023

2.30 P.M. – 4.30 P.M.

INSTRUCTIONS

- (i) Answer all questions in section A and any other three questions in section B.
- (ii) Do not write on the question paper
- (iii) Write legibly and cite relevant examples where applicable

SECTION A (25 marks)

Question One

- a) Distinguish among the following types of budgets:
 - i. **Complete budget.** (2 Marks)
 - ii. **Partial budget.** (2 Marks)
 - iii. **Break even budgeting.** (2 Marks)
- b) Farm management can be described as a problem solving activity and as a decision making activity. Discuss (7 Marks)
- c) Mr. Chok's most profitable enterprise is cotton of which he grows on 8 ha. It has a gross margin of sh. 17 000/ Ha and cost sh.2,800/Ha to weed, and maize has a gross margin of sh. 8,400/Ha. So the proposal is to increase this area of cotton by using herbicide to avoid the labour bottleneck at weeding. Use of herbicide would enable cotton to be increased to 14 Ha. And would reduce the cost of casual labour to Sh. 700/Ha. The herbicide would cost Sh. 1000/Ha and power take off pump, tank and boom costing Sh. 63, 000 would

have to be bought. This equipment is expected to last for seven years and to have running costs of Sh. 4,000 a year.

Should Mr. Chok invest in this equipment in order to increase his cotton area? **(7 marks)**

- d) Planning is an important aspect of farm business explain the characteristics of a good farm plan. **(5 Marks)**

SECTION B (40 marks)

Question Two

Swazuri Dairy Company manufactures two brands of Milk, Fresh Milk and Yoghurt. Fresh Milk has a contribution of Sh.4 per unit and Yoghurt has a contribution of Sh.3 per unit. Fresh Milk requires 30 machine minutes and 30 labor minutes to manufacture a unit. Yoghurt requires 20 machines minutes and 30 labour units to manufacture a unit. Total available machine hours per day are 12hrs whereas total available labour hours per day are 14hrs.

- i. Formulate linear programming model. **(7 Marks)**
- ii. How much of each brand should Swazuri Dairy Company produce if it wishes to maximize its daily contribution assuming that all the brands produced is sold **(8 Marks)**

Question Three

a) A farmer has 30 acres of arable land, 20 acres of which is under maize and 10 acres under grass ley. He wishes to know whether replacing 10 acres of maize with Irish potatoes would be worthwhile. The fertilizer rate would have to be increased from one bag to per acre for maize to 2 bags per acre for potatoes and an extra 20 man days of casual labor at the rate of Shs. 40/ MD will be necessary as a result of the change. Average yields of maize and potatoes are 15 and 50 bags per acre respectively. The output prices are Shs. 220 per bag of maize and Sh. 180 per bag of per bag of potatoes. Seeds cost 120 per acre for maize 320 per acre for potatoes. Fertilizers costs 850 per bag. Draw up a partial budget and indicate the effects of the change and advise the farmer.

(10 Marks)

- b) Discuss the factors to consider in planning a farm layout **(5 Marks)**

Question Four

- a) Highlight the assumptions of linear programming (5 Marks)
- b) Elaborate the information needed for program planning in farm business management (5 Marks)
- c) Discuss the Marginal Rate of Substitution and how it applies in the three stages of production (5 marks)

Question Five

- a) Discuss the management factors to be considered when analysing the performance of a farm business. (10 Marks)
 - b) Discuss the objectives of farm business accounts (5 Marks)
-