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University Examinations 2024/2025

SECOND YEAR, FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURE, BACHELOR OF SCIENCE IN AGRICULTURAL EDUCATION AND EXTENSION

AAB 3225: AGRIBUSINESS ACCOUNTING AND FINANCE

DATE: JANUARY 2025

TIME: 2 HOURS

INSTRUCTIONS:

1. Answer Question ONE, and any other TWO

QUESTION ONE (30 MARKS)

- a) State any five Assumptions in agribusiness accounting (5 Marks)
- b) List any five financial records kept in a farm (5 Marks)
- c) Explain the three and rules of double entry (5 Marks)
- d) Explain the elements of a balance sheet (5 Marks)
- e) Suppose a farm bought a plough at \$1,000, the scrap value of the plough is \$100 and a useful life of 5 years. Calculate the depreciation using straight line depreciation method (5 Marks)
- f) Explain five investment appraisal methods (5 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the five golden rules in accounting (12 Marks)
- b) Explain the errors that are not disclosed by the trial balance. (8 Marks)

QUESTION THREE (20 MARKS)

- a) Explain the determinants of the cost of a loan (10 Marks)
- b) Explain the procedure of a good credit criteria (10 Marks)



QUESTION FOUR (20 MARKS)

Supposing that a farm has a limited capital outlay of 70,000 dollars to invest in one project A, Bor C. The projected cash flows from the projects for a period FIVE years is shown below;

Year	Project A	Project B	Project C
1.	20000	30000	50000
2.	25000	30000	20000
3.	30000	30000	10000
4	30000	10000	10000
5.	40000	5000	10000

Required

- Calculate the payback period for each project (5 Marks)
- If the market interest rate for money is 10%, calculate the Net Present Values for the cash flows (5 Marks)
- Calculate the internal rate of return for project A (5 Marks)
- Discuss the advantages of using NPV as a method of ranking the choice of project A, B or C (5 Marks)

