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University Examinations 2024/2025

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN AGRICULTURE

AAD 2404: FARM ACCOUNTING AND FINANCE

DATE: DECEMBER 2024 **TIME: 1½ HOURS**

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

QUESTION ONE (30 MARKS)

a) How do farm budgets help a farm manager? (2 marks)

b) Name and explain the three types of budgets. (6 marks)

c) Give the various types of data needed for budget preparation. (3 marks)

d) What are the sources of information available for use in preparing a budget? (3 marks)

e) Give the different methods used in calculating depreciation (4 marks)

f) What is the difference between a general ledger and a trial balance? (4 marks)

g) Give the main types of accounting transactions (3 marks)

h) What is the meaning of debit and credit? (4 marks)

i) Give advantages of a trial balance. (1 marks)

QUESTION TWO (15 MARKS)

a) Discuss the main categories of farm records. (4 marks)

b) State the types of trial balance. (3 marks)

c) What are the rules of preparing a trial balance? (4 marks)

d) Systematically give the steps followed in preparation of a trial balance. (4 Marks)

QUESTION THREE (15 MARKS)

a) Give the differences between a journal and a ledger. (2 marks)

b) ABC and Co., a partnership firm registered in Kenya had the following entries to be posted in its ledger books.

2019 Particulars Amount

Jan 1 Opening stock of Raw material 320

May 10 Purchase of Raw material by cheque 900

Oct 1 1 Purchase of Raw material on credit from XYZ Co., 1,280

Nov 2 Returned goods purchased from XYZ Co., 340

i. post the entries in the books of the company. (5 marks)

ii. Balance the accounts (5 marks)

iii. Show the completed general ledger account of raw material A/c of the company. (3 marks)

QUESTION FOUR (15 MARKS)

a) What is a cash flow analysis? (3 marks)

b) What is the importance of farm records? (3 marks)

c) Give the main methods of record keeping. (3 marks)

d) Define the following terms.

i. Assets (l mark)

ii. Liabilities (1 mark)

iii. Depreciation (1 mark)

iv. Salvage value (l mark)