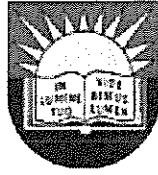


UNIVERSITY OF FORT HARE



University of Fort Hare
Together in Excellence

SUPPLEMENTARY EXAMINATIONS

JANUARY 2019

AGE311 - Advanced Farm Business Management

Time: 3 hours

Marks: 100

Internal examiners

External examiner

Mr. STC Mdletshe

Dr JB Zuwarimwe

Instructions

1. Answer ANY FOUR questions.
2. This paper consists of **TWO** pages, including the cover page.

QUESTION ONE (25 marks)

- i. It is generally accepted that most farmers are risk averse. Explain why is this so. [10]
- ii. Explain the following concepts. A. expected money value (EMV), B. certainty equivalent (CE) C. coefficient of variation (CV). For each concept explain how these it would apply to a risk adverse decision maker. [15]

QUESTION TWO (25 marks)

In classical production theory it is possible to substitute one input for another but in linear production theory this is not possible because it is assumed that factor inputs must be combined in fixed proportions. Explain this statement in detail.

QUESTION THREE (25 marks)

In agriculture, the Return On Capital (ROC) invested is relatively low and this calls for efficient management of capital. Explain the importance of capital budgeting in decisions relating to long term capital investments.

QUESTION FOUR (25 marks)

The control process in managing the farm business is often taken for granted and can be easily overlooked. Explain the role of the control process showing why neglecting it would be a serious mistake.

QUESTION FIVE (25 marks)

A wheat and barley farmer has 168 ha of ploughed land, and capital of R200 000. The variable costs are R1 400 per ha for wheat, and R1 000 per ha for barley. The farmer expects an income of R5 400 per ha from wheat and R3 750 per ha from barley.

- a. Determine, graphically, the areas of wheat and barley which can be planted in order to maximize the farmer's TOTAL GROSS MARGIN. [10]
- b. Also determine how much of either resource remains unused if either is not limiting [15]