Summer Examinations 2015

LEM203715N

Module Title       Farm Business Management
Level             Five
Time Allowed       Two hours

Instructions to students:
- Enter your student number not your name on all answer books.
- Answer all questions in Section A and two questions from Section B.
- Begin each answer in a separate answer book; label each answer book clearly with the number of the question you are answering.
- Neither books nor notes may be taken into the examination.
- The use of a non-programmable calculator is permitted.

The following items are provided:
- Enterprise Performance Information for winter wheat and beef enterprises.
- Farm Case Study Cash Flow Sheet.

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Section A

Compulsory Questions

Answer all questions in this section.

1. a. Describe how to prepare gross margins for a farm business and explain their value as a management aid. (7 marks)

   b. Explain what are meant by fixed costs and how these can be used to calculate return on management and investment income. (6 marks)

   c. Explain how benchmarking and sensitivity analysis can be applied to gross margin to improve business management.
       Identify two sources of information for benchmarking for agricultural enterprises. (7 marks)

   d. Prepare gross margins for winter wheat (per ha) and beef (per animal and per ha) using the Enterprise Performance Information provided. (It is important that your workings are clearly set out) (10 marks)

       Total: 30 marks

2. a. With reference to the cash flow provided for the Farm Case Study, discuss the strategies that you might explore to adjust the cash flow in order to bring income and expenditure within agreed overdraft limits. (15 marks)

   b. Describe, giving examples, the different sources of finance available to a farm business and briefly state the advantages and disadvantages of each as a source of credit.

       Discuss the likely differential in interest rates payable for credit and the influence of the current bank base rate. (15 marks)

       Total: 30 marks

End of Section A
Section B follows overleaf
Section B

Answer two out of four questions.

3. Identify the four main types of business organisation within the private sector and discuss the advantages and disadvantages of each. (20 marks)

4. a. Explain the importance of the job selection process and the risks of appointing unsuitable staff for a farm business. (10 marks)
   
   b. Describe the purpose and importance of both a job description and a personal specification. (10 marks)

   Total: 20 marks

5. a. Describe the main types of risk faced by a farm business and explain how the business can either spread or limit these risks, giving examples in each case. (15 marks)
   
   b. Explain how SWOT analysis can be used in the process of minimising risk. (5 marks)

   Total: 20 marks

6. a. Describe how to construct, complete and analyse both a man work index and a labour profile for a farm business. (10 marks)
   
   b. Explain how both can be used for a large mixed farm to benefit the management of the business. (10 marks)

   Total: 20 marks

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End of Section B
End of Paper