Examination Period 3: 2016/17

LEM203717N

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 **four** questions: all questions from **Section A** and **two** from **Section B**.
- The use of a non-programmable calculator is permitted.
- The following documents are provided: Document one (Enterprise Performance Information for Store Lambs and Winter Wheat) and Document two (Farm Case Study Cash Flow Sheet)

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Section A

Answer all questions in this section.

Question 1

a. Describe how to prepare enterprise gross margins and explain, with the use of examples, what is meant by both variable and fixed costs. (10 marks)  
b. Discuss the value of gross margins as a management aid and explain how benchmarking and sensitivity analysis can be applied to improve business management. (10 marks)  
c. Prepare gross margins for wheat (per ha) and store lambs (per head and per ha) using the Enterprise Performance Information provided (Document One). (It is important that your workings are set out in the correct manner including all relevant figures) (10 marks)

Total: 30 marks

Question 2

a. The cash flow provided (Document Two) for the Farm Case Study indicates that the overdraft limit of £50,000 is exceeded for several months. Identify the factors leading to this issue and discuss strategies that you might explore to adjust the cash flow in order to bring income and expenditure within agreed overdraft limits. (12 marks)  
b. As an alternative to bank overdraft facilities identify sources of finance available to a farm business and briefly state the advantages and disadvantages of each. (10 marks)  
c. Identify the factors that influence interest rates charged when financing the business. (5 marks)  
d. Describe the current situation regarding interest rates available to businesses in the UK. (3 marks)

Total: 30 marks
Section B

Answer two out of four questions.

Question 3

a. Why is it important to follow a thorough recruitment process when appointing a new member of staff? (6 marks)

b. Explain what is meant by job analysis, job description and a person specification as part of the recruitment process. (14 marks)

Total: 20 marks

Question 4

a. Why is it important that a farm business selects the most suitable type of business structure? (6 marks)

b. Identify the two main types of business structure within the private farming sector and discuss the advantages and disadvantages of each. (10 marks)

c. Why is it sometimes necessary to change from one structure to another? (4 marks)

Total: 20 marks

Question 5

a. Identify the main types of risk faced by a farm business. (6 marks)

b. Explain, with the use of examples, how these can be categorised as either internal or external factors and how SWOT analysis can be used in the process of minimising risk. (14 marks)

Total: 20 marks

Section B continues overleaf
Question 6

a. Why is the employment of staff a key issue for a farm business?  
(6 marks)

b. Describe how a farmer with a large mixed farm can plan and monitor staffing to ensure that employed labour levels match farm requirements and are efficient and cost effective.  
(14 marks)

Total: 20 marks

End of Section B
End of Paper