Examination Period 3: 2017/18

LEM203718N

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, one from Section B, and one from Section C.
- Begin each question in a separate answer book; label each answer book clearly with the number of the question you are answering.
- 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 both questions in this section.

Question 1

a. Define what is meant by fixed and variable costs when preparing gross margins and explain the difference, giving examples of each.

(10 marks)

b. Prepare the gross margins for winter oilseed rape (per ha) and lowland sheep (per ewe and per ha) using the Enterprise Performance Information provided (Document One), on your answer sheet. Your work must be set out in a clear and logical way with correct headings.

(10 marks)

c. 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)

Total: 30 marks

Question 2

a. The cash flow provided 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. (Document Two)

(10 marks)

b. Describe, giving examples, the different sources of finance available to a farm business other than an overdraft and briefly state the advantages and disadvantages of each.

(10 marks)

(Total: 20 marks)
Section B

Answer one out of two questions.

Question 3

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. (10 marks)

b. Briefly outline the key stages of risk management. (10 marks)

c. What is the risk evaluation matrix and how can be used? Support your answer with an example. (10 marks)

Total: 30 marks

Question 4

Compare and contrast the use of SWOT and PEST analysis for the evaluation of risks associated with a particular farm enterprise or farm business.

Total: 30 marks
Section C

Answer one out of two questions.

**Question 5**

Describe the following stages of the recruitment process and evaluate the purpose of each stage in making the ‘right’ appointment:

a. Job analysis; (5 marks)

b. Job description; (5 marks)

c. Person specification; (5 marks)

d. Interview and selection. (5 marks)

Total: 20 marks

**Question 6**

a. Discuss the options available for farmers when selecting the most appropriate type of business structure. (10 marks)

b. Describe the requirements of each option in terms of business title, liability, profits and taxation. (10 marks)

Total: 20 marks

End of Paper