

EASTERN UNIVERSITY, SRI LANKA
SECOND YEAR, FIRST SEMESTER EXAMINATION IN AGRICULTURE

(2001/2002)

AEC 2101: FARM MANAGEMENT ECONOMICS

Time allowed: 03 Hours

Answer ALL the questions. All questions carry equal marks.

- 1) a) What are the objectives of Farm Management?
b) Briefly discuss the role of Farm Management.
c) Discuss the Decision-Making Process in Farm Management.

- 2) a) What do you mean by a Farm Record?
b) List out the importance of keeping Farm Records.
c) Briefly discuss the causes of depreciation.

- 3) Write Short Notes on the following.
 - a) Valuation methods
 - b) Enterprise relationships
 - c) Production Possibility Curve.

- 4) a) What do you mean by the term Risk and Uncertainty?
b) Discuss the sources of Risk and Uncertainty
c) Briefly discuss the Decision Rules

- 5) a) Briefly explain the Financial Records
b) Discuss the Production Risk Tools
c) Briefly discuss the Principle of Comparative Advantage.

- 6) You are given the following Trial Balance extracted from the book shop accounts of a sole trader Mr. Sukeer as on 31.12.2001 and the additional information.

The Trial Balance as on 31.12.2001

Items	Debit	Credit
Capital at 01.01.2001		200,000
Opening Stock	70,000	
Purchases	470,000	
Sales		700,000
Purchases Return		40,000
Sales Return	50,000	
Carriage inward	30,000	
Rent	15,000	
Electricity	10,000	
Insurance	2,000	
Transport Expenses	25,000	
Advertisement	8,000	
Discount allowed	9,000	
Discount received		20,000
Bad Debt	3,000	
Provision for doubtful debt at 01.01.2001		5,000
Interest on loan	8,000	
Salesmen's Salaries	15,000	
Fixed Assets (at cost)		
Building	200,000	
Furniture	30,000	
Van	250,000	
Provision for Depreciation on fixed assets at 1.1.01		
Building		40,000
Furniture		15,000
Van		80,000
Trade Debtor/ Trade Creditors	40,000	100,000
Cash and Bank balance	15,000	
20% Bank Loan		50,000
Total	1,250,000	1,250,000

Additional Information

1. Closing stock as at 31.12.2001 Rs.40, 000.
2. The following expenses are payable at 31.12.2001.
Rent Rs.3, 000
Electricity Rs.1. 000
3. Advertisement paid in advance Rs.2, 000.
4. A provision for doubtful debt is to be made at 15% on Trade debtors.
5. Depreciation on fixed assets is to be provided as follows;
Building - 5% per annum at cost
Furniture – 10% per annum at cost
Van – 10% per annum at reducing balance

You are required to prepare for Mr. Sukeer the following;

- a) The Trading, Profit and Loss Account for the year ended 31.12.2001 and
- b) The Balance Sheet as at that date.

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