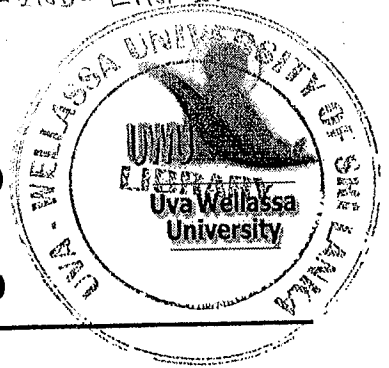


Uva Wellassa University
B.Sc. in Export Agriculture and B.ASc



End Semester Examination June/July 2010
Year II Semester II

Agribusiness Management EAG 222-2/0

Instructions

- Answer all questions
- No. of questions : Two (02)
- No. of pages : Two (02)
- Total marks allocated : 60%
- Time : One hour (1hr)

Part II – Essay

Question 1

- i. Briefly define the term “Agribusiness”. (05 marks)
- ii. Outline the major challenges for agribusiness. (06 marks)
- iii. Why is agribusiness considered to be more risky than the other types of business? (07 marks)
- iv. “Site selection is one crucial decision in starting an agribusiness”. Briefly explain the factors to be considered in farm site selection for an agribusiness. (12 marks)

Question 2

Mr. Dissanayake is willing to invest for an agribusiness venture. As a consultant, you have been asked to evaluate the following investment opportunities and to advice him to undertake the most profitable investment opportunity.

Investment opportunity A:

To have a diary farm and the investment and expected cash inflows have been calculated as below.

Year	Cash Flow
0	- 600,000.00
1	90,000.00
2	100,000.00
3	190,000.00
4	230,000.00
5	310,000.00

Investment opportunity B:

To have a green house to produce Bell Pepper and the investment and expected cash inflows have been calculated as below.

Year	Cash Flow
0	- 625,000.00
1	150,000.00
2	185,000.00
3	185,000.00
4	200,000.00
5	210,000.00

- i. Calculate the simple payback periods for both the projects and select the most suitable investment opportunity to undertake. (Note: the prevailing discount rate is 10% and 4 year cut off period is considered to be the standard for both investments). (05 marks)
- ii. Calculate the discounted payback periods for both the projects and identify the best investment opportunity. (10 marks)
- iii. Calculate the profitability index of above investment opportunities and identify with investment is most profitable to undertake. (05 marks)
- iv. Calculate the NPV for both the investment opportunities and recommend which investment opportunity should undertake. (10 marks)

- The End -