



Faculty of Animal Science & Export Agriculture
Uva Wellassa University

B.Sc in Export Agriculture
Year 2 Semester II
End Semester Examination – June 2008

Agribusiness Management (EAG 2202-2)

Part II Essay

Instructions

Answer all questions.

No. of questions : Two (02)
No. of pages : Two (02)
Time : One hour (1 hour)
Total marks allocated : 100%

01)

i. State the assumptions of Cost-Volume-Profit analysis? (5 marks)

ii. A value added spice product manufacturer purchases raw spices from local farmers. To produce one box containing one kilogram of value added cinnamon, two kilograms of raw cinnamon is required. One kilogram of raw cinnamon costs Rs. 350. Other variable costs incurred in this production including labour, packaging and labeling amount to Rs. 200 per one box of output. The plant and equipment cost accounts for Rs. 1,500,000. The manufacturer expects to sell his product for Rs. 1,200 (\$12) focusing on foreign market.

- a. How much revenue will this producer receives if he sells 4500 boxes of value added cinnamon? (5 marks)
- b. How much variable cost will be incurred for the total production? (5 marks)
- c. How much fixed cost will be incurred for the total production? (3 marks)
- d. Calculate the contribution margin per unit? (5 marks)
- e. Calculate the contribution margin percentage? (5 marks)
- f. Would this production show an operating income or an operating loss? Calculate the operating income/ operating loss. (7 marks)
- g. Suppose 25% of the target operating income has to be paid as income tax. What will be the net operating income? (10 marks)
- h. In order to achieve Rs. 975,000 operating income target how many boxes of value added cinnamon would be produced? (10 marks)

- i. Suppose the producer anticipates selling 6000 boxes by conducting an advertising campaign that would cost Rs. 500,000. Should he advertise? Comment on the answer? (15 marks)
- 02) Giving examples describe the potentials and importance of export oriented agribusinesses in Sri Lankan context. (30 marks)