



Uva Wellassa University
Faculty of Animal Science and Export Agriculture

BSc in Export Agriculture, BSc in Tea Technology & Value Addition,
BSc in Palm & Latex Technology & Bachelor in Animal Science



End Semester Examination Aug/Sept 2011
Year II Semester II

Agribusiness Management EAG 222-2/0

Instructions

Answer all questions

No. of questions : Two (02)

No. of pages : One (02)

Total marks allocated : 60%

Part II – Essay

Question 1

- i. Briefly explain the purpose of planning. (04 marks)
- ii. Outline the important factors to be assessed in STEP factor analysis in strategic business planning process. (08 marks)
- iii. Briefly explain how the agribusiness becomes unique from other businesses. (06 marks)
- iv. Discuss the factors should be considered in selecting a suitable site for an agribusiness venture in detail. (12 marks)

Question 2

After completion of the studies at UWU, being an entrepreneurial graduate, you are intended to set up your own business venture. Out of couple of business ideas popped out, you have selected following two business ideas for final evaluation.

Business idea 1: To establish a banana cultivation to cater the ever growing market demand.

Business Idea 2: To set up a milk processing unit to exploit the demand for natural milk products.

Cash flow information pertaining to above business opportunities have been summarized below. Select the most profitable business opportunity.

Business idea 1: To establish a banana cultivation to cater the ever growing market demand.

Year	Cash Flow
0	-700,000.00
1	140,000.00
2	480,000.00
3	560,000.00
4	590,000.00
5	610,000.00

Business idea 2: To set up a milk processing unit to exploit the demand for natural milk products.

Year	Cash Flow
0	-650,000.00
1	330,000.00
2	380,000.00
3	480,000.00
4	500,000.00
5	510,000.00

Note: the prevailing discount rate is 15%

- i. Calculate the simple payback periods for both the business opportunities. (03 marks)
- ii. Calculate the discounted payback periods for both the business opportunities. (14 marks)
- iii. Calculate the profitability index of above business opportunities. (04 marks)
- iv. Calculate the NPV for both the business opportunities. (06 marks)
- v. Recommend and justify the most profitable business opportunity based on the results above calculations and your business knowledge. (03 marks)

- The End -