



**Uva Wellassa University**  
**Faculty of Animal Science & Export Agriculture**  
**BSc. in Export Agriculture / BSc. in Tea Technology and Value Addition /**  
**BSc. in Palm & Latex Technology and Value Addition /**  
**Bachelor of Animal Science**

**End Semester Examination – January / February 2016**  
**Year II Semester II**

**Agribusiness Management (EAG 221-2/0)**

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**Instructions**

Answer all questions.

No. of questions : Two (02)

No. of pages : Two (02)

Total marks allocated : 60%

Time : One hour (1 hr)

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**PART II – ESSAY**

**Question 1**

“Risk is often associated with any agribusiness and management of risk is a necessary requirement for the smooth functioning of any business”.

- 1.1 What is meant by risk? (05 marks)
- 1.2 Discuss different types of risks that can be faced when conducting agribusiness operations. (15 marks)
- 1.3 Explain the steps in risk management process (10 marks)

## Question 2

Mr. Silva is considering in purchasing a new milling machine for his manufacturing plant. While going through the details obtained from different machinery providers, he has identified that two machineries are up to the required standards. Now, he needs to select the best one from above two machineries. For that, Mr. Silva needs to assess financial feasibility of both machines using several investment appraisal techniques. Estimated cash outflows and cash inflows of two machines are given below.

Year	Machine A Cash Flow (Rs.)	Machine B Cash Flow (Rs.)
0	(650,000)	(700,000)
1	90,000	120,000
2	160,000	220,000
3	280,000	300,000
4	380,000	410,000
5	300,000	350,000

**Note:** the prevailing discount rate is 10% and 4 year cut off period is considered to be the standard for both investments.

- 2.1 Calculate the Simple Payback Period for both machines and identify the most suitable investment.  
(8 marks)
- 2.2 Calculate the Discounted Payback Period for both machines and select the most suitable investment.  
(14 marks)
- 2.3 Calculate the Profitability Index for both machines and identify the best one.  
(4 marks)
- 2.4 Calculate the Net Present Value (NPV) of above machines and recommend which should be purchased.  
(4 marks)