Farm Business Management: The Fundamentals of Good Practice

Chapter 4: Budgeting Theory and Chapter 5: Budgeting Practicalities (Answers)

1. Very few other than the budgeter is assumed to be able to forecast accurately (requirements, outcomes, prices, costs etc.).

2. Because the accuracy of the forecasts depend on such skills. Fixed algorithms are not used.

3. To estimate the physical and financial outcomes from a proposed farm system. Also to enable checking its feasibility, planning family and development spending, tax planning, and more.

4. The sum of the quantity of each product produced multiplied by each's gross margin.

5. The optimal plan is 91.43 ha of activity 2 and 8 ha of activity 1. The total gross margin is $21,486 using 99.43 ha of land, 1234 hours of labour and $4000 of working capital. The working capital is the most limiting resource, so this resource is the one to select the highest return per unit to.

6. Determining the most limiting resource and selecting activities to maximize the return to this resource.