

“Harvesting Hope: A Case Study on Agricultural Entrepreneurship”

Ramu, a farmer’s son, wanted to become a farmer against the wishes of his parents. After completing his graduation in agriculture, he asked his father for some land to cultivate. His father, though not happy with it, agreed to give him some land and other necessary accessories to start farming. He gave the following to his son for one cultivating season. (All figures in ₹)

Land – 2 acres 10,00,000

Tractor 3,00,000 (life 6 seasons, scrap value – 60000)

Farm equipment 1,00,000 (life 5 seasons, no scrap value)

Cash 60,000

Seeds 20,000

- Father told Ramu that farming is not very profitable, unlike any other business. So he advised him to do his best. Ramu promised to try hard.
- Ramu started cultivation and did the following.
- Appointed two labourers on a daily wage of 200 per person
- The labourers worked for 50 days in the particular cultivation season to cultivate wheat, and he paid them accordingly
- Purchased and used fertilizers for – 8000. But has to pay 2000 to the fertilizer dealer
- Purchased by paying cash and using other farming materials - 1200
- Electricity and water charges paid for the farm - 2400

- As the harvest was ready for harvest, he took 100 kg of harvested wheat for his household, gave 100 kg to his father's household, and another 50 kg to his sister's family
- He sold 4000 kg of wheat at 30 per kg and received 70,000/-, balance to be received after two months.
- He still has 500kg of wheat in the barn, which he expects to sell in the next two months' at 30 per kg

Prepare the following and comment on the returns from Ramu's farming venture.

1. Opening the balance sheet at the beginning of the cultivation season
2. Closing cash balance with Ramu
3. Profit and Loss account for the cultivating season
4. Closing balance sheet at the end of the season
5. If the tractor life is changed to 8 cultivating seasons with the same scrap value and farm equipment life changed to 2 cultivating seasons, what will be change in total depreciation, total expenses, profit and equity
6. If the ending inventory of 500kg can be sold at 35 per kg, what will be the change in profit and equity? What will be profit and equity if it can be sold only at 27 per kg? (Answer this question without considering the changes mentioned in part 5 above)