MAASAI MARA UNIVERSITY

REGULAR UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER

SCHOOL OF BUSINESS AND ECONOMICS
BACHELOR OF SCIENCE-AGRICULTURAL ECONOMICS

COURSE CODE: ARE 340
COURSE TITLE: AGRICULTURAL FINANCE

DATE: 19/4/2018   TIME: 8.30 – 10.30AM

*This paper consists of **four** printed pages. Please turn over.*

QUESTION ONE

a) Discuss the various methods of managing risks in agricultural finance.

(10 marks)

b) Assume you are an Agricultural Loans Officer with Equity Bank. Mr. Kimani requests a loan based on the following net worth statement

ASSETS	KSHS
Current assets	
Cash	70,000
A/c receivable	240,000
Marketable securities	110,000
Inventory	250,000
Prepaid expenses	20,000
Total current assets	**690,000**
Fixed assets	
Plant and equipment	1,480,000
Total Assets	**2,170,000**
LIABILITIES + OWNER EQUITY	
Current liabilities	
A/c payable	210,000
Notes payable	125,000
Total current liabilities	**335,000**

Long term liabilities

Bank loan   500,000

    Total liabilities   **835,000**

Owner equity   **1,335,000**

    Total liabilities + Equity   **2,170,000**

Analyze the balance sheet and give your reasons for granting or denying an additional loan to Mr. Kimani   **(15 marks)**

QUESTION TWO

a) Discuss "credit- worthiness" in the light of the 3Rs and 3Cs of credit.

                             (8 marks)

b).Discuss the various measures to strengthen repayment capacity among Kenyan farmers.   **(7marks)**

QUESTION THREE

a. Suppose you are working for the Agricultural Finance Corporation (AFC) as a Loans Officer. A Mr. Kamau, a progressive farmer in your area of jurisdiction approached you for a loan to improve his farm operations and would like to know how to go about it. Explain to him systematically all the procedures and requirements to be followed while sanctioning a farm loan.   **(11 marks)**

b. Using relevant examples, illustrate the principle of phased disbursement   **(4 marks)**

QUESTION FOUR

Write short notes on the following:

a) Non institutional source of credit;   **(5 marks)**

b) Medium term credit;   **(5 marks)**

c) Risk bearing ability.   **(5 marks)**

QUESTION FIVE

a) Differentiate between simple and compound interest.   **(3 marks)**

b) If Shs.12, 000 is invested at 8% per annum compound interest, payments are made six   times a year, what will be the value of the investment at the end of 10 years?   **(6marks)**

c) Discuss three advantages and three disadvantages of a crop insurance among Kenyan farmers   **(6marks)**

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