



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**SECOND YEAR SEMESTER ONE EXAMINATION FOR THE DEGREE OF
BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT
2017/2018 ACADEMIC YEAR**

REGULAR

COURSE CODE: AAE 3223

COURSE TITLE: AGRICULTURAL FINANCE

EXAM VENUE:

**STREAM: BSC. Agribusiness
management**

DATE:

EXAM SESSION:

TIME: 2 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 Questions in section B**
- 2. Candidates are advised not to write on question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

SECTION A

[30 MARKS]

Answer ALL questions from this section

- 1a. Outline the THREE major financial decisions taken by a manager. [6marks]
- b. Outline reasons why banks and other institutions shy away from financing agriculture [5marks]
- c. Citing relevant example, outline the concept of vertical integration. [4 marks]
- d. (i) Explain some SIX sources of agricultural finance. [3 marks]
- (ii) Describe the term leverage [3marks]
- e. Explain the following in relation to agricultural finance and credit:
- a) Amortization [3 marks]
- b) Capital budgeting [3 marks]
- f. Differentiate informal sources of finance from Micro financial institution. [3 marks]

SECTION B

[40 MARKS]

1. Answer ANY TWO questions in this section

- 2(a). Discuss the main areas in agricultural finance to enable smooth financing. [10marks]
- (b). Discuss the factors that strengthen debt servicing capacity of a farm firm [10marks]
- 3a. Discuss the major principles of farm finance [7 marks]
- b. Discuss the FIVE considerations in credit analysis [10marks]
- c. Describe some TWO costs of capital as viewed by a borrower. [3 marks]
- 4(a). Kenya today focuses on industrialization of its agricultural ventures, to this end Kenya breweries has been running promotion of sorghum as a main raw material to run its operations. You have been engaged to help recruit farmers on their behalf for this purpose. Discuss the pros and bottlenecks awaiting this approach as far as farming communities are concerned. [10 marks]
- (b). Outline the instruments that may support agricultural finance [10marks]



JOUST - AAE 3223 AGRICULTURAL FINANCE (MAY- JULY 2017)

FINANCIAL SERVICES: Capital, Savings and credit in agriculture, Role of credit (utilization of funds within the farm business; Acquisition of funds through borrowing); Classification of credit; Economic feasibility tests of credit proposal (The Rs –Returns, Repayments, Risk bearing ability in credit analysis); The Cs – Capacity, Collateral, Character, Condition and Common sense; The Ps – Purpose, Person, Projections, Payments, Protection security); Interest rates and cost of borrowing / Lending; Financial Leverage, Forward planning; Challenges and approaches to small farm finance; Microfinance (issues to consider: designing and monitoring financial products and services; Measuring performance and monitoring financial products and services; Measuring Performance and managing Viability.

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Course purpose:

- 1) To expose students to the basic concepts and principles of regulatory environment that each of the financial intermediaries serving agriculture operate in
- 2) To equip students with basic tools for analyzing problems related to agricultural finance and credit
- 3) To equip students with analytical skills in agricultural finance for solving financial challenges / problems in agribusiness
- 4) To understand financial concepts and the practical applications of finance for career growth in the agribusiness or agricultural production sectors

Course description:

COURSE DESCRIPTION:

JOUST - AAE 3223 AGRICULTURAL FINANCE (JAN APRIL 2018)

FINANCIAL SERVICES: Capital, Savings and credit in agriculture, Role of credit (utilization of funds within the farm business; Acquisition of funds through borrowing); Classification of credit; Economic feasibility tests of credit proposal (The Rs –Returns, Repayments, Risk bearing ability in credit analysis); The Cs – Capacity, Collateral, Character, Condition and Common sense; The Ps – Purpose, Person, Projections, Payments, Protection security); Interest rates and cost of borrowing / Lending; Financial Leverage, Forward planning; Challenges and approaches to small farm finance; Microfinance (issues to consider: designing and monitoring financial products and services; Measuring performance and monitoring financial products and services; Measuring Performance and managing Viability).

COURSE OUTLINE

Week	Topic/Subject	Expected Learning Outcome	Activities
1	a)Introduction to; Capital, Savings and credit in agriculture, b)Role of credit (utilization of funds within the farm business;:	Knowledge of basic concepts of capital, savings and role of credit	<ul style="list-style-type: none"> • Class discussion • brainstorming out examples
2&3	a)Acquisition of funds through borrowing); b)Classification of credit; c)Economic feasibility tests of credit proposal (The Rs –Returns, Repayments, d)Risk bearing ability in credit analysis);	Knowledge of the concept and application of importance of borrowing, feasibility tests and Risk bearing.	<ul style="list-style-type: none"> • Class discussion • Citing out relevant practical examples in and organizations assisting farmers in Kenya today
4	a)The Cs – Capacity, Collateral, Character, Condition and Common sense; b)The Ps – Purpose, Person, Projections, Payments, Protection security);	Appreciate the role played by proper identification of the Cs and The Ps in agricultural financing.	<ul style="list-style-type: none"> • Class discussion • Working out examples
5&6	a) Interest rates and cost of borrowing / Lending; Financial Leverage, Forward planning	The relevance of cost of borrowing in farming enterprises.	<ul style="list-style-type: none"> • Class discussion • Working out

	b) CAT1		examples
7&8	a) Forward planning; b) Challenges and approaches to small farm finance;	To understand the challenges facing farming finance.	<ul style="list-style-type: none"> • Class discussion • Working out examples
9&10	a) Microfinance (issues to consider: designing and monitoring financial products and services; b) CAT 2	Importance of MFIs in agricultural finance.	<ul style="list-style-type: none"> • Class discussion • Working out examples
11&12	a) Measuring performance and monitoring financial products and services; Measuring Performance and managing Viability.	Measuring performance of agricultural finance and monitoring progress	<ul style="list-style-type: none"> • Class discussion • Working out examples

Mode of Course Delivery

1. Lecture will introduce material on the formal aspects of the unit. Notes will be given to students through E-learning and note taking during lectures.
2. Group discussions will be used to work out problems during lectures and practical sessions.
3. Class assignments and take aways

Course Evaluation

<u>Type</u>	<u>Weight (%)</u>
Examination	70
CATs	20
Assignments	10

REFERNCES:

1. Penson, John B. and Lins, David A. (1980). *Agricultural Finance*. New Jersey: Prentice Hall
2. U K Pandey Department of Agricultural Economics, CCS Haryana Agricultural University Hissar – 125 004

3. Creating Access to Agricultural Finance; Reuben JESSOP, *Country study Cambodia* —
Country study Thailand, Boubacar DIALLO; *Country study Mali* — *Country study Senegal*
Marjan DUURSMA; *Country study Tanzania*; Abdallah MALLEK, *Country study Tunisia*
Job HARMS

Lecturer: Signature	_____	Date	_____
Chairman, DPAFS	_____	Date	_____