



MASENO UNIVERSITY
UNIVERSITY EXAMINATIONS 2016/2017

**SECOND YEAR SECOND SEMESTER EXAMINATION FOR
THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS AND AGRIBUSINESS MANAGEMENT WITH
INFORMATION TECHNOLOGY**

MAIN CAMPUS

AEG 202: AGRICULTURAL FINANCE

Date: 12th June, 2017

Time: 8.30 - 11.30am

INSTRUCTIONS:

- Answer Question ONE and any other TWO

Question 1

- a. Explain FIVE undiscounted measures of evaluating agricultural projects. (5 marks)
- b. Siligon Ltd has interest in Agribusiness with an initial cash outlay of ksh.120,000 the company management has options of choosing between two projects A and B. The proposed stream of cash outflows is as follows:

Year	Project A	Project B
1	15,000	40,000
2	25,000	20,000
3	30,000	30,000
4	30,000	40,000
5	20,000	45,000
6	25,000	30,000

- i. Using the payback period method determine the most viable project. (5 marks)
- ii. Outline the advantages and disadvantages of the payback method (6 marks)
- c. Discuss the main risks that lenders consider before advancing credit to farmers (4 marks)
- d. Explain the various stages of an agricultural project cycle (10 marks)

Question 2

- You are approached by a client seeking to information on agricultural financing. Advise the client on the following aspects:
- a. Sources of agricultural finance in Kenya. (10 marks)
- b. Various classifications of agricultural credit. (10 marks)

Question 3

- a. Explain the importance of agricultural credit in agricultural development. (10 marks)
- b. Discuss FIVE factors that are considered by lenders before providing credit to borrowers. (10 marks)

Question 4

Banfer Investment Ltd is an investment company with vast interest in agribusiness. Explain the factors that the management of the company must consider when choosing the most viable project (20 marks)