



# UNIVERSITY OF EMBU

2016/2017 ACADEMIC YEAR

SECOND SEMESTER EXAMINATION

SECOND YEAR EXAMINATION FOR THE DEGREES OF BACHELOR OF SCIENCE

IN AGRIBUSINESS MANAGEMENT

AEB 208: AGRICULTURAL FINANCE

DATE: APRIL 10, 2017

TIME: 2:00-4:00PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) Define the following terms as used in agricultural finance
- i) Agricultural finance (3 marks)
  - ii) Rural finance (3 marks)
  - iii) Agricultural credit (2 marks)
- b) Discuss the term “saving” as used in agricultural finance (3 marks)
- c) Write short notes on debt as a source agricultural credit (4 marks)
- d) Discuss how capacity is used in credit analysis (4 marks)
- e) Explain five measures to strengthen risk bearing ability. (5 marks)
- f) Discuss the two broad classification of agricultural credit (6 marks)

QUESTION TWO (20 MARKS)

- a) Discuss the challenges associated with agricultural finance (10 marks)
- b) Explain the five P's of credit analysis (10 marks).

**QUESTION THREE (20 MARKS)**

- a) Explain how the following risks affect credit availability:
- i) Market Risk (5 marks)
  - ii) Liquidity Risk (5 marks)
  - iii) Settlement Risk (5 marks)
- b) Discuss financial leverage. (5 marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain the term “capital” as used in agricultural finance (5 marks)
- b) Discuss the C’s of credit analysis (9 marks)
- c) Briefly explain six causes of poor repayment capacity of farmers. (6 marks)

**QUESTION FIVE (20 MARKS)**

- a) Discuss the three main source of startup capital for agricultural activities (12 marks)
- b) Discuss any four reasons why one may need agricultural credit (8 marks)

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