



NATIONAL OPEN UNIVERSITY OF NIGERIA

University Village, Nnamdi Azikiwe Expressway, Plot 91, Cadastral Zone, Jabi, Abuja

Faculty of Agricultural Sciences,

Dept. of Agricultural Economics and Extension,

2020_2 Examination

Programme: Agricultural Extension and Management

Course Code: AEA 302

Course Title: Agricultural Finance

Credit Unit: 3

Total Score: 70 Marks

Time Allowed: 3 Hours

Instruction: Answer compulsory question one (1) (30 marks) and any other four (4) Questions (10marks each)

1ai. What is the principal that will amount to ₦32, 220.00 in 5 years at 10%? Given the formula:

$$A = P (1 + r)^n$$

Where A = ₦32, 220

n = 5 years

r = 10% **(4marks)**

aii. What will be the amount receivable if a farmer invested ₦10, 000.00 on a farm implement for 5 years at 10% compound interest? **(6marks)**

b. At what rate of interest will ₦10, 000.00 take to become ₦16, 110.00, if the number of years for investment were 5 years? **(10marks)**

c. Financial intermediaries in agricultural finance are essential in promoting agricultural production. Assuming this claim is true; establish ten (10) cases why it is necessary to have financial intermediaries in agricultural finance **(10marks)**

2. Economic principles are the basic tools in which farm financial management rely upon. Quantify this statement using ten (10) cases **(10marks)**.

3. Discuss using ten (10) instances the nature of agricultural finance **(10marks)**.

4. Establish using ten (10) instances the relationship between production and consumption types of credit **(10marks)**.

5. Write short notes on the following

a. Payback Period **(4marks)**

b. Present Value (PV) method **(4marks)**

c. Internal Rate of Return (IRR) **(2marks)**

6. Identify and discuss the importance of credit to the farmer and the farm business **(10marks)**.

7. You have been elected as the President Nigeria Labour Congress in your state; your state government is planning to subsidize credit and inputs in agriculture which you consider as not being a good policy. With six (6) instances itemize your point of view to establish your case against the implementation of the policy **(10marks)**.