



NATIONAL OPEN UNIVERSITY OF NIGERIA
FACULTY OF AGRICULTURAL SCIENCES
DEPARTMENT OF AGRICULTURAL ECONOMICS AND EXTENSION
FIRST SEMESTER 2019 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 question one (1) and any other four (4) Questions

- 1a Discuss the scope of agricultural finance **(10marks)**.
- bi. Agricultural loan diversion is one evil that impede the progress of agricultural development. Identify five (5) factors responsible for diversion of funds meant for agricultural development **(10 marks)**
- bii. Identify five (5) ways of reducing or eliminating the diversion of funds meant for agricultural development **(5 marks)**.
- c. You have been appointed as Commissioner of Agriculture in your state. Outline a proposal to be presented to the Governor stating why it is important for the government to subsidize credit and inputs of agriculture in your State **(5marks)**.
- 2a. For credit to be effective, it is essential that minimum of other services must be provided. Outline these conditions or services required **(3marks)**.
- b. Write short notes on the following
- i. Group lending **(2marks)**
 - ii. Standardization of loan products and lending procedure **(3marks)**
 - iii. Productivity of Loan Officers **(2marks)**
- 3a Outline the unique features of agricultural lending **(4marks)**.
- 3bi Explain the implications of seasonality of agricultural production **(3 mks)**
- bii Explain the implications of heterogeneity of farming on the financial transactional costs of the lenders **(3mks)**.
- 4a Outline the major steps usually involved in capital budgeting **(4marks)**.
- b. State the aims of capital budgeting **(6marks)**.
- 5a. Suppose a farmer purchased a farm tool to pay back N32,220.00 in 5 years at the compound interest of 10%. What is the worth of equipment today? **(4 marks)**
- b. What is discounting? **(4 marks)**
- c. What is the meaning of cash flow statement? **(2 marks)**
- 6a. At what rate of interest will N10,000.00 take to become N16,110.00, if the number of years for investment were 5 years? **(6marks)**
- b. What do you understand by total operating sales? **(4marks)**
- 7a What is the principal that will amount to N32,220.00 in 5 years at 10%? **(3marks)**
- b. Explain the following
- i. Income statement **(3marks)**
 - ii. Receipts **(1mark)**
 - iii. Expenses **(1mark)**
 - iv. Net income **(1mark)**
 - v. Net cash income **(1mark)**