SCHOOL OF AGRICULTURE AND AGRICULTURAL TECHNOLOGY

DEPARTMENT OF AGRICULTURAL ECONOMICS

2018/2019 HARMATTAN SEMESTER EXAMINATION

AEC 405: AGRICULTURAL FINANCE

TIME: 3 HRS

INSTRUCTION:

Answer 4 question, at least, 1 question from each section

SECTION A

Distinguish between agricultural finance and agricultural credit. $\int 1(a)$

Below are the data for the Balance sheet and Income statement of Mazi Uchendu Farms Ohaji-(b) (3 worning capital ratio scurent State, Nigeria.

Balance Sheet of Mazi Uchendu Ponliry Farm, Ohaji Imo State Nigeria as at 31st Dece

		+ *1.5		A CONTRACT OF STREET
A.SSETS			LIABILITIES	
Current Assets	TENIA.	₽ [Current Liabilities	Ŋ
Cash in Bank		52,500	A/Cs Payable	25,500
A/Cs Receivables		112,500	Taxes due	15,000
Stored feeds		22,500	Short term Bank loan	37,500
Stored Eggs		75,000	Feed Purchases	37,5011
	airent ass	and the same of th	To-fal CL	= 115500
Fixed Assets			Long Term Liabilities	
Automated cages	4	22,500	Mortgage	435,000
Land		750,000	Long term bank loan	300,000
Buildings		262,500	Networth Capital Stock	450,000
Vehicles		235,060	Retained Earnings	480,060
			TOTAL LIABILITIES &- 4m	11175 1780-500 P
TOTAL ASSETS	- Iza G.,	441,785,000	METWORTH =	N 1, 785,000
				4500

Income Statement of Mazi Uchendu Poultry Farm, Chaji, Imo State-Nigeria, 1st Jan-31st Dec 2018

Sales	Pi.	Expenses	И
Eggs	337,500	Hired Labour	37,500
Culled Birds	75,000	Taxes	15,000
Dressed Birds	375,000	Cost of Goods Sold	300,000
Day Old Chicks	187,500	Feed Purchased	187,500
	5 975,000	Veterinary Charges	30,000
X rolt sale	943,00	Fuel & Electricity	22,500
N		Depreciation	75,000
		3 Interest expense	64,875
		Others	75,000
TOTAL	₽¥ 975,000	TOTAL	N 807,375

From the above financial statement, analyze them by calculating the following ratios:

Liquidity ratios

Leverage ratios

Efficiency ratios iii.

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Explain the meaning of the following tenns: (i) Book Value(ii) Salvage Value

(iv) Useful Life

(v) Depreciation

Itemize and discuss each of the 5 major methods of valuation of farm assets usually used in agricultural financing. 4

SECTION B

- a) A farmer borrowed \$12,000 at 5% add on interest. Use the Add on interest to estimate the nominal interest rate if the loan is repaid in 36 monthly installments, 24 monthly installments and 12 monthly installments.
 - b) Use an example to define and compare simple interest and discount interest.
 - c) What are the reasons for variations in interest rate.
- a) As the Desk Officer of Agricultural Loans in Central Bank of Nigeria, discuss the loan procedure J4. of the bank.
 - . b) Banks are yet to impact significantly on agricultural development in Africa. Discuss.
 - c) Define the acronym "LITE" and state what are the objectives.

SECTION C

6.

a) Discuss the various methods of classifying agricultural credit

b) List the steps involved in capital budgeting process?

c) Write brief notes on the 5C's of credit.

a) What is internal rate of return (IRR).

b) In capital hudgeting process, why is cash flow discounted?

c) Consider two investment proposals A and B, with initial cost outlay of \$180,000 respectively.

	2010	2020	2021	2022	2023	2024	2025	2026	2027
Year	2019	2020			25 000	38,000	35.000	30,000	20,000
Net Cash flow of	25,000	30,000	30,000	32,000	35,000	38,000	32,000	30,000	20,000
Project "A" (1) Net Cash flow of	15 000	15,000	30,000	25,000	40,000	70,000	80,000	85,000	60,000
Net Cash flow of Project "B" (41)	15,000	15,000							1

Calculate their respective Net Present Worth if the discount rate is 18.4%.

Which of these projects is more feasible? Give reasons for your answer. ii)

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NIVERSITY OF TECHNOLOGY, OWERRI SCHOOL OF AGRICULTURE AND AGRICULTURAL TECHNOLOGY

DEPARTMENT OF AGRICULTURAL ECONOMICS 2019/2020 MARMATIAN SEMESTER EXAMINATION

AFC JOS AGRICULTURAL FINANCIA

TIME ALLOWED: 2 / HRS

INTRUCTION: ANSWER ANY A QUESTIONS

Explain the difference between balance sheet and income statement. 1.31

Balance Sheet and Income Statement of Mazi Okonta Farms. Naze - Imo State, Nigeria are shown

Balance Sheet of Mazi Okonta Poultry Farm, Naze Imo State, Nigeria as at 31st D 119.

ASSETS		LIABILITIES	December, 26
Current Assets Cash in Bank Account Receivables Stored Feed Stored Eggs Fixed Assets Automated Cages Land Buildings Vehicles	52.500 120.500 18.500 78,500 248.000 843.000 290,000 316,000	Current Liabilities Accounts Payable Taxes due Short term Bank loan Feed Purchases Long term Liabilities Mortgage Long term Bank loan Networth Capital Stock	21.900 10.000 35.500 35.500 486.000 333,000
TOTAL ASSETS	N1,967,000	Retained Earnings TOTAL LIABILITIES & NETWORTH	503.000 542.100 N1,967,000

Income Statement of Mazi Okonta Poultry Farm, Naze Imo State, Nigeria, 1st January to 31st December, 2019

Eggs.	N 275 000	EXPENSES	N
Culled Birds Dressed Birds Day-old Chicks	375.000 78,000 418,000 205,500	1.000011	35,500 10,000 333,000 205,000 27,000 18,500 78,000 66,525
TOTAL	N1,076,500		N851,525

Analyze the financial statements above by calculating the following ratios:

- 1) Liquidity ratios
- ii) Leverage ratios
- iii) Efficiency ratios
- 2. a) Explain the following terms: i) Depreciation
- ii) Useful Life iii) Salvage Value iv) Networth v) Book Value
- b) A machinery bought for N791. 250 is assigned a N268.750 salvage value and a 5 year useful life. Calculate the annual depreciation using the Sum of the Years Digit method.