



**FIJI NATIONAL UNIVERSITY**

**College of Agriculture, Fisheries & Forestry**

**School of Agricultural Sciences**

**Department of Agricultural Economics and Extension Education**

**B.Sc. in Agriculture**

**Trimester III, Final Examination - 2016**

**AEC 704: Agriculture Finance and Cooperation**

**Time Allowed: 3.00 hours plus (10 minutes reading time) Total Marks: 100**

**INSTRUCTIONS:**

1. This paper consists of five pages including the cover page.
2. Please check that your paper has complete set of questions.
3. The paper is divided into four sections.
4. Answer Questions as mentioned in the respective sections.
5. No written or printed material and mobile phones are allowed in the examination hall
6. Calculators are allowed.

**I. SECTION A (40 Marks) to be answered only on the Answer Sheet.**

PART I, Multiple choices - Attempt ALL questions (10 marks)

PART II, Fill in the blanks - Attempt ALL questions (10 marks)

PART III, True and False - Attempt ALL questions (10 marks)

**II. SECTION B (20 Marks)**

Provide short answers - Attempt ALL questions (40 marks)

**III. SECTION C (40 Marks)**

Essay and Numerical questions - Attempt All questions (30 marks)

## Section A Part I

1. Medium Term Credit is provided for;
  - A. one to five years is used to buy farm machinery
  - B. one year to finance operating expenses
  - C. a period exceeding five years, used for capital/real-estate financing
  - D. None of the above
  
2. The sources of Credit are;
  - A. Family
  - B. Family and Bank
  - C. Machinery group
  - D. All of the above
  
3. Debt Equity ratio between 1.0 and 2 indicates;
  - A. Generally good, debt should be manageable
  - B. Proceed with caution
  - C. A high level of caution is needed
  - D. All of the above
  
4. Long-term sources of external finance include;
  - A. An overdraft facility
  - B. A mortgage
  - C. Factoring
  - D. Trade credits
  
5. Factors affecting Cost of Capital
  - A. Capital Structure Policy
  - B. Dividend Policy
  - C. Investment Policy
  - D. All of the above
  
6. Long-term liabilities are those with
  - A. amortization periods longer than one year, but not longer than ten years.
  - B. those that are due within the current fiscal period
  - C. maturity longer than one year from the date of the balance sheet
  - D. None of the above

7. Fixed principal payment with interest due on the unpaid balance method has following conditions;
- fixed payment which repays a loan over a specified period of time at a specified interest rate calculated by dividing the loan amount by the total number of payments.
  - The fixed principal amount is usually calculated by dividing the loan amount by the total number of payments.
  - At the end of the period, the entire unpaid balance of the loan is due
  - All of the above .
8. Current ratio over 1.5 indicates;
- Sufficient working capital should exist to cover short term obligations.
  - Appears ok, however, more careful cash flow management may be necessary
  - Working capital is deficient
  - None of the above
9. The Microfinance loan conditions are;
- Pre-condition of 3 month's consistent savings
  - Business loan only
  - Loans are unsecured
  - All of the above
10. The farmers need credit for;
- Property purchase
  - Working capital
  - Drought reserves
  - All of the above

**Part II Fill in the Blanks****(10 Marks)**

- \_\_\_\_\_ sources of finance are funds found inside the business. (1)
- \_\_\_\_\_ is a document in which the borrower agrees to repay a loan at a stipulated interest rate within a specified period of time. (1)
- \_\_\_\_\_ for intermediate- and long-term loans are usually a single payment advanced at a specified time (1)
- \_\_\_\_\_ are obligations incurred by the business, including obligations arising from a past transaction to be paid in the future. (1)
- \_\_\_\_\_ was the year when FDB was formulated. (1)
- \_\_\_\_\_ from charities or the government to help businesses get started. (1)
- \_\_\_\_\_ is measured by comparing current assets with current liabilities. (1)

8. \_\_\_\_\_ capital, defined as the capital used to acquire other assets, is needed when a business decides to grow. (1)
9. A \_\_\_\_\_ penalty is a fee charged by a lender when a loan is paid prior to its maturity. (1)
10. \_\_\_\_\_ refers to the assets pledged as security in a loan transaction. (1)

**Section A Part III True or False (10 marks)**

1. Enterprise fund of Northern Development Program is the grant fund for equity assistance provided to be part of investment funds.
2. Northern Development Program Loans are given in cycles.
3. Debt Coverage over 1.5 times - cash flow would appear to be in a risk zone.
4. Hire purchase or leasing, which is a special type of loan for buying property where monthly payments are spread over a number of years.
5. Mortgage where monthly payments are made for use of equipment such as a car.
6. The process of raising capital through the sale of shares in an enterprise is called as Equity Financing.
7. A partial budget analysis, however, does not determine profitability.
8. An "Income Statement" measures profit (loss) in a given length of time.
9. Net Present Value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows.
10. Inventory consists of the goods and materials a company purchases to re-sell at a profit.

**Section B Provide short answers**

**(40 Marks)**

1. Differentiate between;
  - I. Debt and Equity (2 marks)
  - II. Cost Value and Market Value (2 marks)
  - III. Promissory note and loan agreement (2 marks)
  - IV. Discounting and compounding (2 marks)
  - V. Warrant and Bond (2 marks)
2. Write short notes on Balance Sheet, its components and importance as financial statements. (5 marks)
3. Write a Short note on Income statement, its components and importance as financial statements. (5 marks)
4. Write a Short note on Cash Flow Statement, its components and importance as financial statements. (5 marks)

5. The role of Fiji Development Bank in agriculture. (5 marks)
6. Risk mitigation techniques used by farmers. (2 marks)
7. Role and function of Reserve Bank of Fiji . (2 marks)
8. Agricultural insurance. (3 marks)
9. Time value of money. (3 marks)

**Section C. Essay and Numerical (30 marks)**

1. Highlight the effectiveness of Grameen Bank of Bangladesh in micro finance for agricultural needs. (10 marks)
2. Define Discounted Cash Flow (DCF). Company named AgriFiji has \$100,000. The Company cash flow will grow by 10% in the first two years, then 5% in the following three years. WACC; say it comes out to 8%. Calculate and tabulate the Discounted Cash Flow (DCF). (10 marks)
3. Balance Sheet (10 marks)
  - i) Fill the table
  - ii) Redo the balance sheet change if you bought \$60,000 of land by taking \$25,000 from your savings and borrowing \$35,000 from a bank.

Assets		Liabilities	
Current Assets	\$60,000	Current Liabilities	\$10,000
Non-Current Assets	?	Non-Current Liabilities	\$15,000
		Owner Equity	?
Total Assets	\$60,000	Total Liability & Equity	\$60,000

END

**EQP RECEIPT CHECKLIST FORM**

Particulars		Details/Comments (To be filled by Unit Lecturer)	Tick if present on EQP (To be filled by exams staff)
<b>Cover Page</b>			
Fiji National University with Logo		/	
College		/	
School		/	
Program		/	
Unit Code		/	
Unit Name		/	
Examination Period			
Duration of Examination		/	
Instructions		/	
Total Number of Pages		/	
<b>Other Pages</b>			
Footer	Page Number	/	
	Unit Code		
	Examination Period		
<b>Last Page</b>			
The End		/	
<b>Overall</b>			
Proper Print			
Examination Requirements (FNU/E-1)			
Moderator's Report (FNU/E-3)		/	
ERRS (Class List)			
Unit Coordinator/Principal Lecturer's Name		<i>Saleh Kumar</i>	

DISPATCHED BY (SCHOOL REP)

NAME: \_\_\_\_\_

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