



COLLEGE OF AGRICULTURE, FISHERIES & FORESTRY

SCHOOL OF AGRICULTURE SCIENCE

**AEC 704 – Agriculture Finance and Cooperation**

BACHELOR OF SCIENCE IN AGRICULTURE

FINAL EXAMINATION

TRIMESTER III, 2017

DURATION - 3 HOURS (extra 10 minutes is allowed for reading)

TOTAL MARKS: 100

**INSTRUCTIONS:**

- A. This paper consists of eight pages.
- B. Please check to see that your question paper is complete.
- C. Answer all the questions in the answer book provided.
- D. Write your student number on all the pages that you use including any additional sheet of paper used.
- E. Printed or written material is not allowed into the examination hall.
- F. Mark values appear at the beginning of each question or part thereof.
- G. Silent and non-programmable calculators are allowed.

**“MOBILE PHONES ARE STRICTLY NOT ALLOWED”**

**Summary of Questions**

<b><u>Section A</u></b>	<b>(40 marks)</b>	There are three questions in this section. All question are compulsory.
		<b><u>Question 1</u></b> Multiple Choice 10 marks
		<b><u>Question 2</u></b> Matching 10 marks
		<b><u>Question 3</u></b> True or False 10 marks
		<b><u>Question 4</u></b> Fill in the Blanks 10 marks
<b><u>Section B</u></b>	<b>(40 marks)</b>	There are four questions in this section. All are compulsory.
		<b><u>Question 1</u></b> Short Answers 10 marks
		<b><u>Question 2, 3, 4</u></b> Calculation 30 marks
<b><u>Section C</u></b>	<b>(20 marks)</b>	There are two question in this section. Both essay questions are compulsory.

Section A

[40 marks]

Question 1

Multiple Choice

[10 marks]

Write the most appropriate answer in the answer book provided

1. Willame's piggery business is allowed to take out more money than it has in its bank account. This source of finance can be classified as
  - A. trade credit.
  - B. overdraft.
  - C. factoring.
  - D. warrants.
  
2. The farmers need credit for
  - A. property purchase.
  - B. working capital.
  - C. drought reserves.
  - D. all of the above.
  
3. Which of the following source of financing consist of employees, suppliers and customers?
  - A. entrepreneur's associate.
  - B. business angel.
  - C. venture capitalist.
  - D. founders.
  
4. The current ratio over 1.5 indicates;
  - A. sufficient working capital should exist to cover short term obligations.
  - B. appears Ok, however careful cash flow management is necessary.
  - C. working capital is deficient.
  - D. none of the above.
  
5. Mr Timoci's farm had a total asset of \$12300 and total liability of \$5600. Calculate Mr Timoci's equity in the business?
  - A. \$ 4700.
  - B. \$ 5400.
  - C. \$ 6700.
  - D. \$ 7100.

6. Fixed principal payment with interest due on unpaid balance method has following conditions;
- A. Fixed payment which repays a loan over specified period of time at a specified interest rate, calculated by dividing the loan amount by the total number of payments.
  - B. The fixed principal amount is usually calculated by dividing the loan amount by the loan amount by the total number of payments.
  - C. At the end of the period, the entire unpaid balance of the loan is due.
  - D. All of the above.
7. Long term liabilities are those with
- A. amortization periods longer than one year, but less than ten years.
  - B. those that are due within the current fiscal year.
  - C. maturity longer than one year from the date of the balance sheet.
  - D. none of the above.
8. Medium term credit is provided for
- A. one to five years
  - B. one year to financing operating expenses.
  - C. a period exceeding five years, used for capital/real-estate financing.
  - D. none of the above.
9. The internal rate of return (IRR) is used to
- A. evaluate the desirability of investments or projects.
  - B. indicate the efficiency, quality, or yield of an investment.
  - C. corporations that wish to compare capital projects.
  - D. all of the above.
10. Which of the following is not an example of cooperative in Fiji?
- A. Fiji Development Bank
  - B. Natures Way
  - C. Fiji Cooperative Dairy Company Ltd
  - D. Matuku Organic Producers

**Question 2****Matching****[10 marks]**

Write in the answer book provided the numbers in **List A** with the letter of the correct corresponding answer in **List B**

	<b>List A</b>		<b>List B</b>
1	Credit	<b>A</b>	Is a special type of loan for buying property where monthly payments are spread over a number of years.
2	Overdraft	<b>B</b>	Occurs when a business or person revises a payment schedule for repaying debt.
3	Refinancing	<b>C</b>	Indicate when cash surplus or deficiency will occur
4	Factoring	<b>D</b>	Is a document stating the terms and condition of the loan
5	Village money lenders	<b>E</b>	Something pledged as security for repayment of a loan
6	Collateral	<b>F</b>	Bank allows a firm to take out more money than it has in its bank account.
7	Capital	<b>G</b>	Use of someone else's funds in exchange for a promise to pay with or without interest at a later date
8	Cash flow	<b>H</b>	Wealth in the form of money or other assets owned by a firm or available or contributed for a particular purpose such as starting a farming venture.
9	Security agreement	<b>I</b>	Where firms sell their invoices to a factor such as a bank.
10	Mortgage	<b>J</b>	Informal source of acquiring loan

**Question 3****True or False****[10 marks]**

In your answer book write "T" if the statement is true and "F" if the statement is incorrect.

1. Solvency ratio is the measure of long term financial obligation of an enterprise.
2. Northern Development Programme is an example of grant fund for equity assistance which is based on one third and two third cost sharing.
3. The process of raising capital through the sale of shares of an enterprise is known as debt financing.
4. A "cash flow" measures the profit or loss of an enterprise in given length in time.

5. Bond can be defined as defined as purchasing products on hire purchase.
6. Net present value (NPV) is the difference between the present values of cash inflows and present values of cash outflows.
7. Inventory consists of the goods and materials a company purchases to re-sell at a profit.
8. The process of raising capital through the sale of shares in an enterprise is called as Equity Financing.
9. Insurance is one method of risk management that Fiji Cooperative Dairy Limited has adapted for its farmers.
10. Hire purchase or leasing, which is a special type of loan for buying property where monthly payments are spread over a number of years.

**Question 4**

**Fill in the Blanks**

**[10 marks]**

Use the word from list below to answer the question. Do not use a word more than once.

interest	acquisition	Internal	balloon method	liquidity
FDB	risk management	present	partial budget	repayment

1. \_\_\_\_\_ sources of finance are funds found inside the business.
2. \_\_\_\_\_ is a repayment where the burrower has to pay a large sum of remaining balance at end at repayment period.
3. A \_\_\_\_\_ penalty is a fee charged by a lender when a loan is not paid upon its due date.
4. \_\_\_\_\_ is measure of short term loan obligation of an agricultural enterprise.
5. \_\_\_\_\_ capital, defined as the capital used to acquire other assets, when a business decides to grow.
6. \_\_\_\_\_ bank was established in 1947.
7. A \_\_\_\_\_ value is a value that is expressed in terms of dollars received immediately.
8. The \_\_\_\_\_, is a profitability metric used by businesses to determine which projects are likely to yield the greatest return per dollar of capital investment.

9. \_\_\_\_\_ is the charge for the privilege of borrowing money, typically expressed as annual percentage rate.
10. Enterprise diversion is one of the means of \_\_\_\_\_ in agriculture farming.

**Section B**

**[40 marks]**

**Question 1**

**Short Answers**

- a. Distinguish between the following terms:
- i. compounding and discounting
  - ii. debt financing and equity financing. [4 marks]
- b. Evaluate the role of FDB in development of agriculture sector in Fiji. [2 marks]
- c. Analyse two importance of partial budget? [2 marks]
- d. Distinguish two signs of financial difficulties of an agricultural enterprise? [2 marks]

**Calculation**

**Question 2**

**Partial Budget**

Moshim is planning to substitute his corn cultivation with bean. With the information given below:

- a. Generate a partial budget to compare the best enterprise. [8 marks]
- b. Provide recommendation based on the partial budget on the change. [2 marks]

Planting bean	Planting corn
Planting- 5 labour @ \$20/day for 16 days	Yield - 600 tonnes @ \$100/tonne
Yield - 550 tonnes @ \$100/tonne	Labour - 3 labour @ \$20 for 2 days
Fertilizer and chemicals @ \$300	Fertilizer and chemicals - \$400
Transportation - \$300	Transportation - \$200
Staking - \$100	Seeds - \$29
Seeds - \$15	

**Question 3**

**Balance Sheet Analysis**

Devika is seeking loan to extend her farming venture. You are to prepare her farm balance sheet and determine the financial obligation of her farm in accessing loan.

A. Cash on hand- money in the bank-----	\$5,000
B. Cash in Bank (cash rollover from last year) -----	\$15,589
C. CSA dues 10 members (@ \$400 each)-----	\$4,000
D. Chickens, feed, fertilizer, chemicals, packaging-----	\$1,815
E. Tools and Equipment-----	\$3,120
F. Laptop-----	\$1,100
G. Printer-----	\$150
H. Cell Phone-----	\$100
I. Vegetable Wash Station-----	\$100
J. Cost of farm house and property:-----	\$321,460
K. Land, 3 Acres with farm in production-----	\$168,900
L. Accounts Payable, operational loan/with interest-----	\$5,225
M. Current rent, owed on land this year-----	\$12,581.54
N. Farm Mortgage, owed on land less principal-----	\$99,554.16

- a. Create a balance sheet by summing up the numbers above each category:
  - a. Total Current Assets [1 mark]
  - b. Intermediate Assets [1 mark]
  - c. Total Fixed Assets [1 mark]
  - d. Total Current Liabilities [1 mark]
  - e. Total Long-Term Liabilities [1 mark]
  - f. Equity [2 marks]

b. Apply the Formulas Below to analyse the balance sheet and recommend on the status of Devika's business.

$$\begin{array}{l} \text{Total Assets} \quad \div \quad \text{Total Liabilities} \quad = \quad \text{Debts/Assets Ratio} \\ \text{-----} \quad \div \quad \text{-----} \quad = \quad \text{-----} \\ \text{Current Assets} \quad - \quad \text{Current Liabilities} \quad = \quad \text{Working Capital} \end{array}$$

$$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{Current Ratio}$$

[3 marks]

**Question 4**

**Repayment Method**

Aleca has taken a loan of \$100,000 which is to be repaid over five years at 10% interest. The payment of \$26,380 remains constant with the fixed payment method. With the fixed principal method, the principal payment of \$20,000 is made every year.

Using the following data calculate the total interest payment

- a) Under Fixed Payment Method. [5 marks]
- b) Under Fixed Principal Payment Method. [5 marks]

**Section C**

**Essay**

[20 marks]

All questions are compulsory in this section.

(150 words minimum for each question)

**Question 1**

Cooperative action or producer organisation is one of the important concept for agriculture development in Fiji. In your own words, analyse the topic under the following sub-headings; definition, principle of cooperatives, advantage and disadvantage. [10 marks]

**Question 2**

Fiji has got many types of lending institutions. Analyse the types of financial credits available to farmers in Fiji. [10 marks]

**THE END**