



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2018/2019 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND
ECONOMICS**

**BACHELOR OF AGRICULTURAL
ECONOMICS AND RESOURCE
MANAGEMENT/AGRIBUSINESS
MANAGEMENT**

**COURSE CODE: AGB 4208
COURSE TITLE: AGRICULTURAL
FINANCE AND**

RISK MANAGEMENT

DATE: 25TH APRIL 2019
14.30-16.30 HRS

TIME:

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** questions

QUESTION ONE

a).Define investment philosophy and explain four main factors considered in investment decision

(5 Marks)

b) Write short notes on the following in context of agricultural finance:

i) Stock portfolio

(2marks)

ii) The job of a portfolio manager

(2 marks)

iii) Investment alternatives

(2 marks)

iv) Agricultural endowment

(2 marks)

c).Describe the steps involved in an investment process.

(5 marks)

d) Explain four sources of risks prevalent in farming business in Kenya

(4 marks)

e) Explain six steps involved in risk management decision making

(3 marks)

QUESTION TWO

a).What is agricultural finance?

(2 marks)

b). Explain three main issues considered in agricultural financing

(6 marks)

c). Elaborate the nature of agricultural financing in Kenya in terms of risk attitudes of the lenders and borrowers.

(5marks)

d). List four investment markets and give one instrument for each market in agricultural financing

(2 marks)

QUESTION THREE

a) An investor bought 1,000 shares of a listed agricultural based company (kakuzi) in the Nairobi securities exchange for kshs 100/= per share. Exactly a year later, he sold the shares for kshs 125/= per share. He earned dividends of kshs 5000/= over the year holding period. He also spent a total of kshs 1250/= on trading commissions when he bought and sold the shares. Calculate the following:

i) Total returns for the stock

(2marks)

ii) Total costs for holding the stock

(2marks)

iii) The returns on investment (ROI)

(6marks)

b) Outline five methods of measuring investment risks.

(5 marks)

QUESTION FOUR

a) Describe the stages of industrial growth cycle as part of investment process assignment and specify the type of investment applicable at each stage. Use a diagram to illustrate your answer **(8marks)**

b) Write short notes on the following:

i) Economic analysis as part of the investment **(3 marks)**

ii) Optimal management **(2 marks)**

iii) Investment portfolio **(2 marks)**

QUESTION FIVE

a) What is the difference between “real” and “financial” investments? And explain two typical components of investment necessary in calculation of the returns on investment. **(8 marks)**

b) Explain three turnaround investment strategies adopted by agricultural companies trading in Nairobi securities exchange under financial stress conditions. **(7 marks)**

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