UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc II in Agricultural Economics and Agribusiness Management

COURSE CODE: AEM 202

TITLE OF PAPER: MICROFINANCE

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1.   ANSWER ANY FOUR QUESTIONS
2.   EACH QUESTION CARRIES TWENTY FIVE (25) MARKS

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Question 1

(a)   Define Agricultural Finance and its components   **10 MARKS**

(b)   Will you prefer to receive a gift of E1000 now instead of next year and why? Discuss.

                                       15 MARKS

Question 2

(a) As a shroud money lender confronted by a desperate borrower that agrees to a continuous compounding of interest rate, how much would you request to be repaid for a loan of E30000 at 5% interest rate for 6 years?   **10 MARKS**

(b) It was the decision of your parents to assist you on a maize production enterprise five years from now and ask you to choose between their depositing E10000 either at the beginning or end of each of the five years in a risk free commercial bank that pays 10% interest rate, what is the value of each option and why? Discuss.

                                       15 MARKS

Question 3

(a) What is the maximum amount of money that you would advise your firm to pay now for a piece of land that will increase income by E15000 per annum and indefinitely, if the cost of capital is 5% ?   **10 MARKS**

(b) What amount of money would you request for now from a friend that wishes to give you E10000, E15000 and E20000 at the end of first, second and third year, respectively; if the interest rate is 10% per annum compounded twice a year?

                                       15 MARKS

Question 4

(4) Dlamini Farms Limited has the opportunity of investing in two projects A and B but no enough capital to execute both, if the cashflows of the two projects are as indicated in Table 1 and the required rate of return is 10%, use either Net Present Value or Internal Rate of Return project evaluation technique to advise the company on which one to execute.   **25 MARKS**

Table 1

Time (t)		0	1	2	3	4	5
Net	P A	-35000	5000	10000	15000	22500	30000
Cashflows	Q B	-35000	25000	20000	10000	5000	5000

Question 5

What are the various forms of business organisation and their effects on functions of finance?   **25 MARKS**