(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS 2016/2017 ACADEMIC YEAR

SECOND YEAR 2ND SEMESTER SPECIAL/SUPPLEMENTARY EXAMINATION

FOR THE DEGREE OF BACHELOR OF AGRICULTURE ECONOMICS AND RESOURCE MANAGEMENT

COURSE CODE: IAE 288
COURSE TITLE: AGRICULTURAL FINANCE & ECONOMETRICS

DATE: 25TH SEPT. 2017   TIME: 8 AM – 10 AM

INSTRUCTIONS TO CANDIDATES

Answer Question ONE and any other TWO Questions.

TIME: 2 Hours

This paper consists of 3 printed pages. Please Turn Over ▷

QUESTION ONE

A researcher in Kakamega County obtained the following cross sectional data for sugarcane supply.

n	Quantity of sugar cane in tons	Price in $
1	69	9
2	76	12
3	52	6
4	56	10
5	57	9
6	77	10
7	58	7
8	55	8
9	67	12
10	53	6
11	72	11
12	64	8

Using ordinary least squares (QLS) technique estimate the sugarcane supply function.(30 marks)

QUESTION TWO

a) State and explain briefly the desirable properties of OLS estimators (10 marks)
b) Discuss briefly the assumptions of the OLS model (10 marks)

QUESTION THREE

The Busia County Governor in considering setting up a County Agricultural Bank and has invited you to give a talk to opinion leaders in order to secure their support. Discuss in detail what you will include in your talk under the following:

a) Justification for such Bank (7 marks)
b) Criteria for good Agricultural credit system (6 marks)
c) Strategies for increasing repayment capacity and risk bearing ability of farmers (7 marks)

QUESTION FOUR

Discuss principles of farm credit (20 marks)

QUESTION FIVE

a) Discuss the criteria used in appraisal of farm investment projects stating the decision rules and conditions for each criteria (10 marks)

b) Discuss briefly causes of risk and uncertainty in Agriculture (10 marks)