

LAIKIPIA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST SEMESTER 2025/2026 ACADEMIC YEAR

**THIRD YEAR EXAMINATION FOR THE DEGREE
OF BACHELOR OF AGRIBUSINESS MANAGEMENT**

AGBM 312: AGRIBUSINESS FINANCE

STREAM:

TIME: 2 HRS

DAY: TUESDAY [8.30 A.M-10.30. A.M] DATE: 03/02/2026

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES

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INSTRUCTIONS:

Attempt question one (Compulsory) and any other two questions

QUESTION ONE

- a) What is a stock exchange index? **(2 marks)**
- b) Outline four drawbacks of the Nairobi Stock Exchange index. **(4 marks)**
- c) What is a Commercial Paper? **(3 marks)**
- d) State and explain the advantages of using commercial paper by businesses to raise funds **(5marks)**
- e) Although profit maximization has long been considered as the main goal of a firm, shareholder wealth maximization is gaining acceptance amongst most companies as the key goal of a firm. Required:
 - (i) Distinguish between the goals of profit maximization and shareholder wealth maximization. **(6 Marks)**
 - (ii) Explain three limitations of the goal of profit maximization. **(4 Marks)**
- f) Describe briefly THREE major sources of agribusiness finance. **(6Marks)**

QUESTION TWO

- a) What economic advantages are created by the existence of:
 - (i) Primary markets. **(3 marks)**
 - (ii) Secondary markets **(3 marks)**
 - (iii) Portfolio management firms. **(4 marks)**
- b) Explain how the Capital Authority can ensure:
 - (i) Faster growth and development of the Nairobi Securities Exchange or Stock Exchange in your country. **(6 marks)**
 - (ii) Development of other stock exchanges in Kenya or in your country. **(4 marks)**

QUESTION THREE

- a) Examine critically the role played by commercial banks in the economic development of Kenya to date. **(10 Marks)**
- b) List and explain five factors that should be taken into account by a businessman in making the choice between financing by short-term and long-term sources. **(10 marks)**

QUESTION FOUR

- a) Working capital decisions deal with decisions ensuring an optimum mix and level of current assets and current liabilities, Elucidate the statement. **(5 marks)**

- b) What is meant by inventory? Discuss why inventory management is important to agricultural firms. **(5 marks)**
- c) Discuss the importance of working capital management to shareholders and creditors. **(10 marks)**

QUESTION FIVE

- a) Debt financing is like a double-edged sword, on one side it's cheaper than equity financing, and on the other hand, financing risk increases with increase of debt financing. Discuss this statement. **(10 Marks)**
- b) Highlight FIVE advantages and disadvantages to a company of being listed on a stock exchange. **(10 Marks)**