



Name:

Enrolment No:

**UNIVERSITY OF PETROLEUM AND ENERGY STUDIES**  
**End Semester Examination, December 2023**

**Course: Rural Finance**  
**Program: INT-BBA-MBA/ INT B.COM MBA**  
**Course Code: FINC3056**  
**Instructions:**

**Semester: VI**  
**Time: 03 Hrs.**  
**Max. Marks: 100**

**SECTION A**  
**10Qx2M= 20 Marks**

S. No.		Marks	CO
Q 1	<i>Fill in the blanks. Each blank carries 2 marks.</i>		
1.1	Which of the following is a common source of rural finance in developing countries? a) Venture capital firms b) Stock markets c) Microfinance institutions d) Hedge funds	2	CO1
1.2	What is the primary purpose of crop insurance in rural finance? a) To provide subsidies to large-scale commercial farms b) To protect farmers against losses due to adverse weather conditions or natural disasters c) To offer loans for purchasing agricultural machinery d) To encourage farmers to switch to alternative crops	2	CO1
1.3	The current ratio is calculated by: a) Current Assets / Current Liabilities b) Total Assets / Total Liabilities c) Total Liabilities / Total Equity d) Net Income / Total Assets	2	CO1
1.4	The equity ratio measures: a) The proportion of debt in relation to equity b) The firm's ability to meet short-term obligations c) The proportion of equity in relation to assets d) The firm's efficiency in generating profits from assets	2	CO1
1.5	_____ is the economic study of the acquisition & use of capital in agriculture.	2	CO1
1.6	What is the primary purpose of microfinance in rural areas? a) To provide large-scale loans to rural businesses b) To offer financial services to low-income individuals and small businesses	2	CO1

	c) To fund government development projects in rural regions d) To encourage urban migration by providing financial incentives																																						
1.7	_____ is the provision of financial services for poor and low-income people and covers the lower ends of both rural and agriculture finance.	2	CO1																																				
1.8	The debt to asset ratio is calculated by: a) Total Liabilities / Total Assets b) Total Debt / Total Equity c) Net Income / Total Assets d) Total Debt / Net Income	2	CO1																																				
1.9	_____ is the economic study of the acquisition & use of capital in agriculture	2	CO1																																				
1.10	What is the main objective of rural credit cooperatives? a) To generate profits for shareholders b) To provide low-interest loans to rural farmers and businesses c) To compete with commercial banks in urban areas d) To offer investment opportunities for wealthy individuals	2	CO1																																				
<b>SECTION B</b> <b>4Qx5M= 20 Marks</b>																																							
2.1	How does rural finance address the financial needs of smallholder farmers?	5	CO2																																				
2.2	Explain in brief Return Analysis.	5	CO2																																				
2.3	Explain how rural finance contributes to agricultural development.	5	CO2																																				
2.4	Differentiate between Assets and Liabilities.	5	CO2																																				
<b>SECTION-C</b> <b>3Qx10M= 30 Marks</b>																																							
3.1	What are some challenges faced by rural households in accessing formal financial services?	10	CO3																																				
3.2	Highlight Political, legal and Institutional challenge faced by people living in rural areas.	10	CO3																																				
3.3	Calculate Liquidity and Solvency Ratios from the given information. <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Liabilities</th> <th style="text-align: left;">Amount</th> <th style="text-align: left;">Assets</th> <th style="text-align: left;">Amount</th> </tr> </thead> <tbody> <tr> <td>Long term debt</td> <td>5,00,000</td> <td>Cash and Bank</td> <td>90,000</td> </tr> <tr> <td>Shareholder's funds</td> <td>1,50,000</td> <td>Marketable Securities</td> <td>50,000</td> </tr> <tr> <td>Reserves and Surplus</td> <td>1,00,000</td> <td>Bills Receivables</td> <td>1,00,000</td> </tr> <tr> <td>Creditors</td> <td>1,00,000</td> <td>Inventory</td> <td>1,00,000</td> </tr> <tr> <td>Outstanding Expenses</td> <td>40,000</td> <td>Plant and Equipment</td> <td>2,50,000</td> </tr> <tr> <td></td> <td></td> <td>Building</td> <td>2,00,000</td> </tr> <tr> <td></td> <td></td> <td>Advance Tax</td> <td>1,00,000</td> </tr> <tr> <td></td> <td style="text-align: right;"><b>8,90,000</b></td> <td></td> <td style="text-align: right;"><b>8,90,000</b></td> </tr> </tbody> </table>	Liabilities	Amount	Assets	Amount	Long term debt	5,00,000	Cash and Bank	90,000	Shareholder's funds	1,50,000	Marketable Securities	50,000	Reserves and Surplus	1,00,000	Bills Receivables	1,00,000	Creditors	1,00,000	Inventory	1,00,000	Outstanding Expenses	40,000	Plant and Equipment	2,50,000			Building	2,00,000			Advance Tax	1,00,000		<b>8,90,000</b>		<b>8,90,000</b>	10	CO3
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**SECTION-D**  
**2Qx15M = 30 Marks**

4.1	Describe a situation where capacity constraints in rural finance hinder a farmer's ability to expand their agricultural activities. How would you address these capacity constraints to ensure the farmer can access the necessary financial resources for growth and development?	<b>15</b>	<b>CO4</b>
4.2	<p>X Ltd., has a current ratio of 3.5:1 and quick ratio of 2:1. If excess of current assets over quick assets represented by inventories is Rs. 24,000, calculate current assets and current liabilities.</p> <p>Based on the provided financial data, investigate how Company XYZ agro ltd., a Production firm with a current ratio consistently above 1, strategically manages its liquidity position to optimize financial performance</p>	<b>15</b>	<b>CO4</b>