

**AGBUS 105 Course Outline as of Summer 2017****CATALOG INFORMATION**

Dept and Nbr: AGBUS 105 Title: AGRICULTURE FINANCE

Full Title: Agricultural Finance

Last Reviewed: 2/14/2022

Units		Course Hours per Week		Nbr of Weeks	Course Hours Total	
Maximum	3.00	Lecture Scheduled	3.00	17.5	Lecture Scheduled	52.50
Minimum	3.00	Lab Scheduled	0	6	Lab Scheduled	0
		Contact DHR	0		Contact DHR	0
		Contact Total	3.00		Contact Total	52.50
		Non-contact DHR	0		Non-contact DHR	0

Total Out of Class Hours: 105.00

Total Student Learning Hours: 157.50

Title 5 Category: AA Degree Applicable

Grading: Grade Only

Repeatability: 00 - Two Repeats if Grade was D, F, NC, or NP

Also Listed As:

Formerly: AGBUS 72

**Catalog Description:**

This course involves the study of basic financial concepts, agricultural lending, financial institutions, financial and investment analysis. In addition, this course examines financial risk, risk management, legal aspects of agricultural finance, and the principles and practices for financing different forms of legal business organizations in agriculture.

**Prerequisites/Corequisites:****Recommended Preparation:**

Eligibility for ENGL 100 or ESL 100; AND MATH 151

**Limits on Enrollment:****Schedule of Classes Information:**

Description: This course involves the study of basic financial concepts, agricultural lending, financial institutions, financial and investment analysis. In addition, this course examines financial risk, risk management, legal aspects of agricultural finance, and the principles and practices for financing different forms of legal business organizations in agriculture. (Grade Only)

Prerequisites/Corequisites:

Recommended: Eligibility for ENGL 100 or ESL 100; AND MATH 151

Limits on Enrollment:

Transfer Credit:

Repeatability: Two Repeats if Grade was D, F, NC, or NP

## **ARTICULATION, MAJOR, and CERTIFICATION INFORMATION:**

<b>AS Degree:</b>	<b>Area</b>	<b>Effective:</b>	<b>Inactive:</b>
<b>CSU GE:</b>	<b>Transfer Area</b>	<b>Effective:</b>	<b>Inactive:</b>
<b>IGETC:</b>	<b>Transfer Area</b>	<b>Effective:</b>	<b>Inactive:</b>
<b>CSU Transfer:</b>		<b>Effective:</b>	<b>Inactive:</b>
<b>UC Transfer:</b>		<b>Effective:</b>	<b>Inactive:</b>

**CID:**

**Certificate/Major Applicable:**

Both Certificate and Major Applicable

## **COURSE CONTENT**

### **Student Learning Outcomes:**

At the conclusion of this course, the student should be able to:

1. Explain the importance and sources of finance in agribusiness
2. Analyze financial risk and identify appropriate financial options for businesses
3. Apply capital budgeting techniques in financial decision making
4. Evaluate an agribusiness organization and identify appropriate legal documents required for financing

### **Objectives:**

Upon completion of this course, students will be able to:

1. Explain the importance of finance in agribusiness
2. Identify the different types of financial statements and their functions
3. Discuss the functions of lending institutions in agribusiness
4. Describe the types of debt and their cost benefit analysis in agribusiness
5. Demonstrate knowledge of financial analysis
6. Demonstrate understanding of capital budgeting methods
7. Explain sources of risk and risk management in agricultural finance
8. Demonstrate knowledge of investment analysis
9. Describe basic legal documents used in agricultural finance
10. Explain how financing guidelines are applied in agribusiness

### **Topics and Scope:**

- I. Introduction to Agribusiness Finance
  - A. Agribusiness finance
  - B. Agribusiness producers
  - C. Importance of finance in agribusiness
  - D. Domestic trends in agribusiness finance

## II. Financial Understanding of Accounting Concepts

- A. Understanding balance sheets
- B. Measuring income
- C. Comparing cash and accrual accounting
- D. Statements
  - 1. Cash flow
  - 2. Profit and Loss
  - 3. Owner's equity
- E. Common Issues in agricultural finance

## III. Agricultural Lending

- A. Interaction between lenders and borrowers
- B. Commercial banks
- C. Farm credit system
- D. Life insurance financing
- E. Farm Service Agency
- F. Federal Agricultural Mortgage Corporation
- G. Debt Choice
  - 1. Types of debt
  - 2. Cost and benefits of debts

## IV. Investment Analysis

- A. Return of owner's equity
- B. The DuPont identity of return on equity
- C. Asset management ratios
- D. Financial efficiency ratios (profitability, solvency, liquidity, repayment, loan-to-value)
- E. Common Size financial statements

## V. Capital Budgeting

- A. Time value of money
  - 1. Compound interest
  - 2. Annuities
  - 3. Basic loan calculations
  - 4. Determining Annual Percentage Rate (APR)
  - 5. Refinancing analysis
  - 6. Cash budgeting
- B. Net present value
- C. Income taxes and capital budgeting
- D. Leases and leasing

## VI. Risk in Agribusiness

- A. Financial and business risk
- B. Sources of business risk in agriculture
- C. Attitudes toward risk
- D. Market valuation of risk
- E. Risk management in agribusiness

## VII. Legal Aspects of Agricultural Finance

- A. Contracts
- B. Promissory notes
- C. Security agreement
- D. Mortgages versus deeds of trust
- E. Life cycle of loans
- F. Loans defaults and foreclosures
- G. Determinants of interest rates

## VIII. Financing Business Organizations in Agriculture

- A. Types of legal business organizations

- B. Business Organizations and Financing models
- C. Business organizations and equity generation
- D. Business types and the transfer of capital
- E. Estate management and tax implications

### Assignment:

1. Case Studies (8-10)
2. Problem sets (weekly)
3. Two 3 - 5 page Term papers on Agricultural finance policies and trends
4. One to two reports 4 - 6 pages long on Investment and Lending for a specific sector in agriculture
5. Quizzes (4) and exams (3)
6. Final Exam

### Methods of Evaluation/Basis of Grade:

**Writing:** Assessment tools that demonstrate writing skills and/or require students to select, organize and explain ideas in writing.

Term papers, case studies, reports

Writing  
15 - 35%

**Problem Solving:** Assessment tools, other than exams, that demonstrate competence in computational or non-computational problem solving skills.

Problem sets

Problem solving  
15 - 25%

**Skill Demonstrations:** All skill-based and physical demonstrations used for assessment purposes including skill performance exams.

None

Skill Demonstrations  
0 - 0%

**Exams:** All forms of formal testing, other than skill performance exams.

Quizzes and exams

Exams  
50 - 70%

**Other:** Includes any assessment tools that do not logically fit into the above categories.

None

Other Category  
0 - 0%

### Representative Textbooks and Materials:

- Financial Management in Agriculture. 7th ed. Barry, Peter and Ellinger, Paul. Pearson. 2011 (classic)
- Fundamental of Agribusiness Finance. Battles, Ralph and Thompson, Robert. Wiley-Blackwell (classic)
- Farm Financial Standards Council. Financial Guidelines for Agricultural Producers (Annual

Report)

Instructor prepared materials