

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE  
OF BACHELOR OF AGRICULTURAL ECONOMICS

ECON 412: ECONOMICS OF INDUSTRY

STREAMS: AGECE (Y4S1)

TIME: 2 HOURS

DAY/DATE: TUESDAY 05/12/2017

11.30 A.M. – 1.30 P.M.

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INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

**QUESTION ONE (30 MARKS)**

- (a) Distinguish between the following models of oligopoly. [3marks]
- (i) Cournot model
  - (ii) Bertrand model
  - (iii) Stackelberg model
- (b) Using illustrations, explain the market efficiency in oligopolies. [10 marks]
- (c) What is vertical integration? Highlight the advantages and disadvantages of vertical integration. [10 marks]
- (d) Barriers to entry and exit are an important determinant of an industry's long run profits. Discuss this statement using clear illustrations. [7 marks]

**QUESTION TWO (20 MARKS)**

- (a) Although technological innovations enhance efficiency in production, they are not a direct route to economic growth. Discuss this statement in light of developing economies. [10 marks]
- (b) Highlight reasons why the public procurement policy is a mechanism for creating industrial competitiveness. [5 marks]
- (c) Apart from public procurement, discuss 5 other key areas that government policy should focus on to enhance industrial competitiveness. [5 marks]

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### QUESTION THREE (20 MARKS)

- (a) Discuss private as well as public solutions to the problem of environment pollution in Kenya. [10 marks]
- (b) What does internal control of a firm entail? Highlight key principles of evaluating and improving internal control of a firm. [10 marks]

### QUESTION FOUR (20 MARKS)

- (a) Outline the mandate of the Kenya bureau of standards? [5 marks]
  - (b) Discuss the obligations of the employee as provided for by the occupational safety and Health act in Kenya to safeguard their safety, health and welfare at the workplace. [15 marks]
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