

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS
RESIT/SPECIAL EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN
AGRICULTURE**

AGEC 111: INTRODUCTION TO AGRICULTURAL ECONOMICS

STREAMS:AGBM Y1S2

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 12/09/2018

8.30 A.M – 10.30 A.M

INSTRUCTION:

Answer all questions

1. Distinguish the following terms as used in agricultural economics
 - a) Agricultural economics (2 marks)
 - b) Agribusiness management (2 marks)
 - c) Opportunity cost (2 marks)
 - d) Utility (2 marks)
 - e) Least cost combination (2 marks)
 - f) Elasticity of demand (2 marks)
 - g) Monopoly (2 marks)
2. (a) Describe the contribution of agriculture to the Kenyan Economy (8 marks)
(b)What are the constraints that affect agriculture's contribution to economic

development? (6marks)

3. The following is a production function of output (Y) using input X:

Input (X)	Output (Y)
0	0
1	5
2	14
3	21
4	26
5	30

6	33
7	35
8	36
9	36
10	35

If the price of X (P_x) is Kshs 50 and the price of output (P_y) Kshs 20, calculate

- i. Total revenue (2 marks)
 - ii. Value of average product (2 marks)
 - iii. Value of Marginal product (2 marks)
 - iv. Total cost (2 marks)
 - v. Net revenue (2 marks)
- a) At what level of input is profit maximized? (2 marks)
 - b) At what level of output is profit maximized? (2marks)
 - c) Suppose the price of the input (P_y) increases by Kshs 10. What will be the new profit maximizing levels of
 - i. Input (3marks)
 - ii. Output (3marks)

4. Given the following information for XYZ farm.

Output	Fixed cost	Variable cost
0	5000	0
1000	5000	1200
2000	5000	1400
3000	5000	1600
4000	5000	1800
5000	5000	1800
6000	5000	1900

- a) Compute the farm's Average variable cost (AVC), Average fixed cost (AFC), Average total cost (ATC) and Marginal costs (MC). (8 marks)
 - b) How much profit would XYZ farm earn if market price is Kshs 10 per unit at each production level? (3 marks)
5. (a) Using an illustration, explain the concept of diminishing Marginal returns (6 marks)

(b) Using an illustration, explain the concept of indifference curve and a few of the characteristics of an indifference curve (5 marks)
