

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FIRST YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT AND AGRICULTURAL ECONOMICS

AGEC 111: INTRODUCTION TO AGRICULTURAL ECONOMICS

STREAMS: B.Sc AGECE Y1S2, AGBM Y1S2 & AGECE Y2S2

TIME: 2 HOURS

DAY/DATE: FRIDAY 13/04/2018

11.30 A.M - 1.30 P.M.

INSTRUCTIONS:

- Answer ALL Questions in Section A and any THREE in Section B

SECTION A

QUESTION ONE

- (a) Explain what is meant by the following terms; [10 Marks]
- (i) Agricultural economics
 - (ii) Equilibrium price
 - (iii) Price elasticity of demand
 - (iv) A budget line
 - (v) Factors of production
- (b) Explain why the demand curve slopes downwards. [10 Marks]
- (c) Define utility and discuss five characteristics of utility. [5 Marks]

SECTION B

QUESTION TWO

Given the following information

Input (X); 0, 10, 22, 35, 43, 50, 60, 71, 80

Output (Y); 0, 54, 125, 193, 228, 250, 264, 249, 208

- (i) Calculate the Marginal product. [4 Marks]
- (ii) Calculate the Average product [4 Marks]
- (iii) Show the boundaries of each stage of production [4 Marks]
- (iv) Which is the rational stage of operation and why? [4 Marks]
- (v) Distinguish between Iso-Revenue and Iso-Cost lines. [4 Marks]

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QUESTION THREE

- (a) Explain the ways in which inputs combine in production. (Use diagrams) [10 Marks]
(b) Explain the principal of least combination of resources. [5 Marks]

QUESTION FOUR

A farm manager at Chuka Farm must pay Kshs.10 per unit of fertilizer used and Kshs.100 for the fixed inputs of of land.

Output (Y)	Fertilizer (50kg/bag)	Land (hectares)
0	0	15
20	7	15
40	17	15
60	30	15
80	55	15
100	95	15
120	180	15

(a) Determine:

- (i) Total fixed cost [1 Mark]
- (ii) Total variable cost [1 Mark]
- (iii) Total cost [2 Marks]
- (iv) Average variable cost [2 Marks]
- (v) Average fixed cost [2 Marks]
- (vi) Average total cost [2 Marks]
- (vii) Marginal cost for each level of output [2 Marks]

- (b) Draw a cost function curve and show clearly the TC, TVC and TFC. [3 Marks]
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