CHUKA UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT

AGBM 341: MANAGERIAL ECONOMICS

STREAMS: AGBM (ODEL) **TIME: 2 HOURS**

DAY/DATE: WEDNESDAY 07/08/2024 **2.30 P.M. – 4.30 P.M.**

INSTRUCTIONS

- **Answer all questions in section A and any three in section B**
- **Do not write on the question paper**

SECTION A: All questions are compulsory

QUESTION ONE (25 MARKS)

a) Define managerial economics. (2 marks)

b) Discuss four ways to manage risks in an agribusiness firm. (4 marks)

c) Consider the following cost function:

$C=3Q_1^2-2Q_1Q_2+4Q_2^2+20$

Find

i. The fixed cost. (2 mark)

ii. The average variable costs. (1 mark)

iii. The average total costs. (1 mark)

iv. The average fixed costs. (1 mark)

d) Explain four types of demand with proper examples. (8 marks)

e) Explain briefly three types of costs with examples. (6 marks)

Section B: Answer any three questions

Question two: 15 marks

a) Describe four factors that determine the supply of a commodity in the market. (4 marks)

b) Price discrimination refers to when a producer charges varying prices for different consumers for the same goods and services to different consumers. Identify six objectives of price discrimination. (6 marks)

c) Highlight five main features of a perfectly competitive market. (5 marks)

QUESTION THREE: 15 MARKS

a) What is the break-even point and explain four managerial uses of break-even analysis. (10 marks)

b) Give five differences between monopoly and perfect markets. (5 marks)

QUESTION FOUR: 15 MARKS

a) Explain the following economic concepts:

i. Returns to scale. (2 marks)

ii. Increasing returns to scale. (2 marks)

iii. Diminishing returns to scale. (2 marks)

iv. Economies of scale. (2 marks)

v. Diseconomies of scale. (2 marks)

b) XYZ Plc has a total product function given by the following equation.

$Y=0.75x+0.0042x^2-0.000023x^3$

Where y=total output yield, x=amount of nitrogen added per acre to the farm

Required

Calculate the marginal product (MP) of the farm. (5 marks)

QUESTION FIVE: 15 MARKS

a) Explain the phases of business cycles. (8 marks)

b) Describe the kinked demand curve with a graph. (5 marks)

c) Distinguish between economic growth and economic development. (2 marks)

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