



(Knowledge for Development)

# KIBABII UNIVERSITY

## UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER MAIN EXAMINATIONS FOR  
THE DEGREES OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS AND RESOURCE MANAGEMENT

COURSE CODE: IAE 484

COURSE TITLE: AGRICULTURAL TRADE AND INTERNATIONAL  
ECONOMICS

DATE: 11<sup>TH</sup> NOVEMBER 2020

TIME: 2PM – 4 PM

### INSTRUCTIONS TO CANDIDATES

1. Carefully read and follow the instructions contained in your answer booklets.
2. This Paper consists of **FIVE** questions. Marks for each question are indicated against them.
3. Answer **QUESTION ONE** and any other **TWO** questions.

**Question One (30 marks)**

- a). State **four** features of mercantilism theory of International trade. (4 marks)
- b). Outline **four** components of foreign exchange reserves. (4 marks)
- c). Explain **five** main methods in which the WTO system works. (10 marks)
- d). Describe **four** problems associated with purchasing power parity theory. (12 marks)

**Question Two (20 marks)**

- a). With the aid of a diagram, explain how trade is created when a tariff barrier is reduced. (10 marks)
- b). Discuss **four** effects of devaluation method in a foreign exchange market. (10 marks)

**Question Three (20 marks)**

- a). Explain **two** necessary conditions for price discrimination in dumping. (4 marks)
- b). Describe eight arguments against free trade. (16 marks)

**Question Four (20 marks)**

- a). Explain **four** defects of devaluation as a method of correcting disequilibrium in a balance of payment. (8 marks)
- b). With an illustration, describe the theory of absolute advantage as advocated by Adam Smith. (12 marks)

**Question Five (20 marks)**

- a). Explain **three** merits of Quotas. (3 marks)
- b). Describe **five** drawbacks of a tariff. (5 marks)
- c). Discuss four arguments in favour of the free trade regime as advocated by Adam Smith. (12 marks)