KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2019/2020 ACADEMIC YEAR

FOURTH YEAR SPECIAL/SPPLEMENTARY 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: 05/02/2021.   **TIME:** 2 HOURS

2 - 4PM.

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). Describe **five** limitations of Heckscher Ohlin's (H-O) theory   **(10 marks)**

b). With an illustration, describe the theory of comparative advantage as advocated by David Ricardo. .   **(10 marks)**

c). Explain **five** gains of international trade.   **(10 marks)**

Question Two (20 marks)

a). Define the term barter trade as used in Economics.   **(2 marks)**

b). Explain **four** problems associated purchasing power parity theory.   **(8 marks)**

c). Highlight **five** reasons why developing countries are in favour of international aid **(10 marks)**

Question Three (20 marks)

a). State **two** institutions that are encompassed in the World Bank group.   **(2 marks)**

b). Discuss **four** reasons why international aid is considered useful to developing countries.

                                                                                        (8 marks)
c). Differentiate between balance of payment and balance of trade.   **(10 marks)**

Question Four (20 marks)

a). Define the term Quota as used in International Economics.   **(2 marks)**

b). Explain **three** functions of foreign exchange market.   **(6 marks)**

c). Discuss the Leontief paradox as a criticism of Heckscher Ohlin's (H-O) theory.   **(12 marks)**

Question Five (20 marks)

a). Highlight **four** roles played by agriculture in import substitution.   **(4 marks)**

b). Outline **four** categories of International Economics.   **(4 marks)**

c).Describe **three** conditions under which the "Law of One Price" holds.   **(6 marks)**

d). Explain **three** importance of agricultural exports in Kenya.   **(6 marks)**