

*(Knowledge for Development)*

**KIBABII UNIVERSITY**  
**UNIVERSITY EXAMINATIONS**  
**2020/2021 ACADEMIC YEAR**

**FIRST YEAR 1ST SEMESTER**  
**SPECIAL/SUPPLEMENTARY EXAMINATIONS**

**FOR THE DEGREE OF BACHELOR OF SCIENCE IN AGRICULTURAL  
ECONOMICS & RESOURCE MANAGEMENT**

**COURSE CODE: AEC 113**  
**COURSE TITLE: INTRODUCTION TO AGRICULTURAL  
ECONOMICS**


**DATE: 27<sup>TH</sup> SEPTEMBER 2021**      **TIME: 2 – 4 PM**

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**INSTRUCTIONS TO CANDIDATES**

Answer Question One and any other two (2) Questions.

TIME: 2 Hours

This paper consists of 2 printed pages. Please Turn Over   
KIBU observes ZERO tolerance to examination cheating

Q1.

Write short notes on the following

- a) Positive and normative economics (4 marks)
- b) Opportunity cost (6 marks)
- c) Free and economic goods (4marks)
- d) Characteristics of perfect markets (6 marks)
- e) How to curb unemployment in Meru county (6 marks)
- f) Elasticity of response and total physical product (4 marks)

Q2.

- a) Illustrate and explain the three stages associated with the law of variable proportions. (12 marks)
- b) Explain the determinants of the factors of production (8 marks)

Q3.

- a) Explain the causes of inflation in Kenya (10 marks)
- b) Explain the determinants of demand for a commodity (10 marks)

Q4.

- a) Explain the weaknesses of a free market enterprise system (10 marks)
- b) The following represent the demand and supply functions for strawberry yoghurt by John.

$$\text{Demand: } QD = 3000 - 200P$$

$$\text{Supply: } Qs = 1400 + 260P$$

Required

- i) Determine equilibrium price (5 marks)
- ii) Determine equilibrium quantities (5 marks)

**Q5.**

Using specific examples, compare farm and firm production in Kenya.

**(20 marks)**