



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2012/2013

FIRST YEAR, SECOND SEMESTER EXAMINATIONS FOR CERTIFICATE/DIPLOMA IN  
AGRICULTURE

### BUS 0161: FARM ACCOUNTING AND AGRIBUSINESS MANAGEMENT

DATE: AUGUST 2013

TIME: 1½HOURS

INSTRUCTIONS: Answer questions **one** and any other **two** questions

#### QUESTION ONE – (30 MARKS)

- Define production function and explain the three ways of presenting the production function. (5 Marks)
- List the assumptions of the production function. (5 Marks)
- Distinguish between variable and fixed costs. (5 Marks)
- By use of relevant diagram, distinguish between iso-cost and budget line. (5 Marks)
- List the properties of a good packaging material. (5 Marks)
- Highlight the characteristics of Agricultural products. (5 Marks)

#### QUESTION TWO – 15 MARKS

Given that a given level of output Q can be produced using various combinations of factor inputs  $X_1X_2$ .

$X_1$ Kg	37	20	13	11	8	6.5	4	2
$X_2$ Kg	10	20	30	40	50	60	70	80

#### Required:

- Draw an iso-quant and an iso-cost, given that  $P_{x_1}$ =Ksh60,  $P_{x_2}$ =Ksh30 (10 Marks)
- Estimate the optimal combinations of  $X_1X_2$  units that minimizes costs of production. (3 Marks)
- Calculate the least cost. (2 Marks)

#### QUESTION THREE – 15 MARKS

You are provided with the following possible output combinations of products  $Y_1, Y_2$ . Given that the price of  $Y_1$ =16\$, and  $Y_2$ =39\$.

Output $Y_1$	0	7	12	18	22	25	30
Output $Y_2$	48	49	37	30	20	11	0

**Required:**

- a. On a suitable grid plot  $Y_1$  against  $Y_2$ . (8 Marks)
- b. Using a suitable Iso-revenue curve establish the optimal  $Y_1, Y_2$  combinations. (4 Marks)
- c. Calculate the optimal revenue possible. (3 Marks)

**QUESTION FOUR – 15 MARKS**

Discuss the monopolistic market in the following areas:

- a. Sources of monopoly power. (4 Marks)
- b. Characteristics (5 Marks)
- c. Profit maximization (6 Marks)

**QUESTION FIVE – 15 MARKS**

- a. Explain the importance of grading of agricultural products. (8 Marks)
- b. Explain giving examples the 4-ps in marketing. (7 Marks)