



# MERU UNIVERSITY COLLEGE OF SCIENCE & TECHNOLOGY

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University Examinations 2011/2012

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR CERTIFICATE IN  
AGRICULTURE

**BUS 0161: PRODUCTION ECONOMICS AND AGRICULTURAL MARKETING**

**DATE: DECEMBER 2011**

**TIME: 1½ HOURS**

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

## QUESTION ONE – (30 MARKS)

- (a) State the management guideline questions. (5 Marks)
- (b) State and explain the characteristics of variable costs. (5 Marks)
- (c) What are the various classifications of agricultural markets? (5 Marks)
- (d) Explain the various types of product-product relationships. (9 Marks)
- (e) State the advantages of advertisement as a sales promotion strategy. (6 Marks)

## QUESTION TWO – (15 MARKS)

In an hectare of cabbages and carrots the following relationship was found:

Cabbages ( $Y_1$ ) Kg	0	20	30	40	50	60
Carrots ( $Y_2$ )Kg	60	57	52	47	35	0

Required:

- (a) Plot  $Y_2$  against  $Y_1$ , what is the name of the curve. (5 Marks)
- (b) Given that  $P_{Y_1} = 50$ ,  $P_{Y_2} = 50$  come up with an Iso-revenue curve. (2 Marks)
- (c) Estimate the optimal combination and advice the farmer. (8 Marks)

**QUESTION THREE – (15 MARKS)**

Explain the monopoly market under the following:

- (a) Monopoly power (4 Marks)
- (b) Conditions (4 Marks)
- (c) Price, output and loss minimization (7 Marks)

**QUESTION FOUR – (15 MARKS)**

- (a) Using relevant illustration explain the stages of a production function. (12 Marks)
- (b) What information is missing in question (a) above to tell the optimal profit. (3 Marks)

**QUESTION FIVE – (15 MARKS)**

- (a) Explain the four marketing mix. (8 Marks)
- (b) State the quality issues in marketing. (4 Marks)
- (c) What are the desired qualities of a packaging material for sugar. (3 Marks)