



**MERU UNIVERSITY COLLEGE
OF SCIENCE & TECHNOLOGY**

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University Examinations 2010/2011

FIRST YEAR, SECOND SEMESTER EXAMINATIONS FOR DIPLOMA IN
AGRICULTURAL EDUCATION AND EXTENSION/CERTIFICATE IN
AGRICULTURE/DIPLOMA IN AGRICULTURE

BUS 0161: PRODUCTION ECONOMICS AND AGRICULTURAL MARKETING

DATE: APRIL 2011

TIME: 1½ HOURS

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

QUESTION ONE – (30 MARKS)

- (a) Define the following as used in economics. (10 Marks)
- (i) Production function
 - (ii) Law of diminishing marginal returns
 - (iii) Imperfect substitutes
 - (iv) Marketing mix
 - (v) Chain of distribution
- (b) Briefly explain any three production relations. (6 Marks)
- (c) Explain the components of a market. (6 Marks)
- (d) Explain the importance of packaging of Agricultural produce. (8 Marks)

QUESTION TWO – (15 MARKS)

- (a) Explain the characteristics of the perfect competitive market. (7 Marks)
- (b) Explain the 4-Ps in marketing (8 Marks)

QUESTION THREE – (15 MARKS)

Give that a given level of output Q can be produced using various combinations of factor inputs X₁, X₂

X ₁ Kg	36	21	14	10	8	6.5	5	4
X ₂ Kg	10	20	30	40	50	60	70	80

Required:

- (a) On a suitable scale draw an iso-quant and an iso-cost, given that $PX_1 = \text{Ksh}20$, $PX_2 = \text{Ksh}7$. (10 Marks)
- (b) Estimate the optional combinations of X_1 , X_2 units that minimizes costs of production. (2 Marks)
- (c) Calculate the least cost. (3 Marks)

QUESTION FOUR – (15 MARKS)

- (a) Using a relevant illustration explain the stages of the production function. (12 Marks)
- (b) In order to tell the most profitable level of output what other information is required. (3 Marks)

QUESTION FIVE – (15 MARKS)

Explain monopoly under the following:

- (a) Sources of monopoly power. (4 Marks)
- (b) Monopoly characteristics (4 Marks)
- (c) Profit maximization (7 Marks)