



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION AUGUST -2018

EXAMINATION FOR THE DIPLOMA IN AGRIBUSINESS MANAGEMENT
(YR I SEM II)

UNIT CODE: DAFS 1104

UNIT TITLE: AGRICULTURAL ECONOMICS

DATE: 23RD AUGUST, 2018

TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Define agricultural economics (2 marks)
- (b) What is an economic system (3 marks)
- (c) Define an economic unit and give two examples (3 marks)
- (d) Describe the **THREE** types of economic systems (6 marks)
- (e) What are the **FOUR** questions that each economic systems should consider in regards to resources use? (8 marks)
- (f) What is the role of agriculture in the rural and general economic development in Kenya? (8 marks)

QUESTION TWO

- (a) Define demand and state the law of demand (3 marks)
- (b) What do we mean by elasticity of demand (2 marks)
- (c) Write down the formula of income elasticity of demand (IED) (2 marks)
- (d) Using the concept of income elasticity of demand, describe how a customer's change in income would affect a luxury good. (3 marks)
- (e) Describe the **FIVE** types of income elasticity of demand (10 marks)

QUESTION THREE

- (a) What is supply and what does its law state? (3 marks)
- (b) Write down correctly the supply function (5 marks)
- (c) What causes;
 - i. Movement along a supply curve to the left and to the right? Explain using a graph (5 marks)
 - ii. Shifts of a supply curve to the left and to the left? Explain using graphs. (7 marks)

QUESTION FOUR

- (a) The agricultural sector in Kenya is dual, what comprises the sector (4 marks)
- (b) Mention at least **THREE** ways which agriculture contributes to economic development of our country. (6 marks)
- (c) What are the challenges facing the agricultural and rural sector in Kenya (10 marks)

QUESTION FIVE

- (a) What do mean by '**ELASTICITY** of supply? (3 marks)
- (b) Discuss how the supply of a given commodity X depends on the prices of factors of production. $S_x = f(r_i (i=1, \dots, n))$. (6 marks)
- (c) What causes;
 - i. Movements along a supply curve to the left and to the right? Explain using a graph. (5 marks)

- ii. Shifts of a supply curve to the left and to right? Explain using graphs.
(6 marks)