



# KISII UNIVERSITY

## UNIVERSITY EXAMINATIONS

### FIRST YEAR EXAMINATION FOR THE AWARD OF THE DEGREE OF BACHELOR IN AGRIBUSINESS MANAGEMENT AND AGRICULTURAL ECONOMICS

SECOND SEMESTER 2024/2025

[JANUARY – APRIL, 2025]

### AGEC 111: INTRODUCTION TO AGRICULTURAL ECONOMICS

**STREAM: Y1 S2**

**TIME: 2 HOURS**

**DAY: MONDAY, 3:00 - 5:00 P.M.**

**DATE: 10/04/2025**

#### **INSTRUCTIONS:**

- 1. Do not write anything on this question paper.**
- 2. Answer question ONE in section A (Compulsory) and any other TWO questions from section B.**

#### **SECTION A – (40 MARKS)-COMPULSORY**

- 1a) Explain the benefits of internal economies of scale that an organization get as a result of expansion of its operations. (6 marks)
- b) Outline the advantages of a planned Market economic system in an economy. (8 marks)
- c) Explain **five** determinants of supply for agricultural produce ‘ceteris paribus’. (10 marks)
- d)
  - i. Using a suitable diagram, Explain the three stages of the Law of variable proportions. (8 marks)
  - ii. The table below shows the demand and supply schedules for commodity M.

Price Kshs. Per kg	Demand (kgs)	supply (kgs)
60	30	80
70	20	100

Required; Determine Equilibrium price and quantity of commodity M. (8 marks)

**SECTION B - 30 MARKS (ANSWER ANY TWO QUESTIONS)**

2. Explain the Five factors that could lead to a leftward shift in demand curve (5 marks)
- b) Outline the Major effects of price decontrol to an economy (10 marks)
- 3 a) Discuss clearly the necessary and sufficient conditions for profit maximization by a firm support your answer with appropriate illustrations (10 marks)
- b) Explain the concept of consumer sovereignty (5 marks)
4. a) Bidco enterprise sells its output for kshs. 20 per unit and has a total cost function as;  
 $TC = 16 + 17Q + 9Q^2 + Q^3$ . Determine
- i. Marginal cost function
  - ii. Total profit function
  - iii. Quantity and price that will maximize profit (8 marks)
- b) Explain the axioms of Consumer preference. (7 marks)