



**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY  
(MMUST)**

**UNIVERSITY EXAMINATIONS 2022/2023 ACADEMIC YEAR**

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREES OF**

**BS. AGRICULTURE AND BIOTECHNOLOGY; BSC. AGRICULTURE ECONOMICS &  
RESOURCE MANAGEMENT, BSC. AGRIBUSINESS MANAGEMENT, BA EDUCATION  
ARTS & BSC AGRICULTURE EDUCATION & EXTENSION**

**COURSE CODE: AEC 101**

**COURSE TITLE: INTRODUCTION TO AGRICULTURAL ECONOMICS**

**DATE: ...14<sup>th</sup> April 2023**

**TIME: .....3-5 PM.....**

**INSTRUCTION TO CANDIDATES**

- Answer **ALL** questions in section **A** and any other **Two** questions in section **B**

Time: 2 hours

## SECTION A

Q1 (a) Differentiate between agriculture economics and economics (4 marks)

(b) What are the two most important roles played by price in a free market economy? (5 marks)

(c) What is the practical importance of the three economic questions in everyday life? (6 marks)

Q2 (a) What is the effect of increased money supply on inflation in an economy? (3 marks)

(b) What is the relevance of the three macro-economic goals in society in Kenya today? (6 marks)

(c) Differentiate between branded and homogeneous products (3 marks)

(d) What is the importance of agriculture to Kenya's economy? (3 marks)

## SECTION B

Q3 (a) Use the information provided in the table below to draw a supply and demand curves (5 marks).

Quantity demanded	Price	Quantity supplied
100	70	2000
200	60	1,800
400	50	1,600
700	40	1,400
1,100	30	1,100
1,600	20	700
2,300	10	100

(b) Use the graph to determine the equilibrium price and quantity (2 marks)

(C) State the law of supply? (2 marks)

(d) What do you understand by the term equilibrium price and quantity? (2 marks)

(e) Using a sketch diagram explain what will happen in a free market economy when a product price is set below the market equilibrium price? (5 marks)

(f) Differentiate between price and income elasticity of demand? (4 marks)

Q4 (a) What are the similarities and dissimilarities between monopolistic and perfect competition? (6marks)

(b) What do we mean when we say a perfectly competitive market is the world of price-takers? (2 marks)

(c) Explain how elasticity of demand is applied in government fiscal policy? (3 marks)

(d) What are the key differences between perfect market and free market? (4 marks)

(e) How is the question of how to produce answered in a free market economy? (5 marks)

Q5 (a) Define the term inflation (2marks)

(b) List and briefly explain the nine types of inflation (8marks)

(c) What measures does the central bank use to check inflation? (5marks)

(d) State and explain five effects of inflation to the citizens and the economy of a country? (5 marks)

Q6 (a) Briefly describe the four economic concepts and state their relevance to modern economics? (8 marks)

(b) What is full employment and how does it relate to the concept of scarcity? (4 marks)

(c) Explain the dilemma between equity and efficiency as applied in economics (4 marks)

(d) Giving relevant examples give and explain any four reasons why command/communist economic organization failed in the world? (4 marks)