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University Examinations 2015/2016

THIRD YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF
BACHELOR IN HORTICULTURE

HRD 2111: AGRI-BUSINESS MANAGEMENT II

DATE: NOVEMBER 2015

TIME: 2 HOURS

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

QUESTION ONE (30 MARKS)

- a) Explain the various types of factor-factor relationships (5 Marks)
- b) Differentiate fixed and variable costs (5 Marks)
- c) Explain the various principles of substitution (5 Marks)
- d) Explain the types of farming businesses in Kenya (5 Marks)
- e) Explain the characteristics of a good budget (5 Marks)
- f) State the uses of a cash flow budget (5 Marks)

QUESTION TWO (20 MARKS)

- a) The sales manager of RX farm estimates that the fixed cost of producing a packet of yoghurt is 1000/=, the variable cost is 40/=, the selling price per unit is 60/=, calculate
 - i) The variable cost function (2 Marks)
 - ii) The total cost function (2 Marks)
 - iii) The revenue function (2 Marks)
 - iv) The break-even output (2 Marks)

- v) The output that would give a profit of 1,000,000/= (2 Marks)
- b) Discuss the law of returns to scale showing the stages of the production (10 Marks)

QUESTION THREE (20 MARKS)

- a) You are provided with the following possible output combinations of products Maize and Beans in a Crop rotation both competing for a hectare of land

Output of Beans (90kbags per Ha)	0	7	13	20	24	27	29
Output of maize (90kg bags per Ha)	50	47	42	30	20	11	0

Required:

- i) State the relationship between the two crops (2 Marks)
- ii) Given that the price of \$40/90kg bag of beans, and \$20/90kg bag of maize
- a) Estimate the optimal combination (6 Marks)
- b) Calculate the optimal revenue (4 Marks)
- iii) Explain the various types of product – product relationships and state the economic decision of each

QUESTION FOUR (20 MARKS)

- a) Discuss the steps in hiring permanent labour force for a farm (10 Marks)
- b) Discuss the various categories of risks and uncertainties (10 Marks)