



UNIVERSITY EXAMINATIONS

**FIRST YEAR EXAMINATION FOR THE AWARD OF
DIPLOMA IN ANIMAL HEALTH**

AGEC 0112: INTRODUCTION TO AGRICULTURAL ECONOMICS

STREAM: DIP ANHE Y1S2

TIME: 2 HOURS

DAY/DATE: TUESDAY 6/4/2010

8.30A.M.-10.30A.M.

INSTRUCTIONS:

Answer ALL questions.

1. (i) What do you understand by the term production function. [2 marks]

(ii) Given the following expression that shows how total output Q varies with labour output L in man hours;

$$Q = 20L + 24L^2 - 2L^3$$

(a) Compute the Average product (AP) if only 4 man hours are available. [2 marks]

(b) Compute the Marginal product (MP) if only 4 man hours are available. [2 marks]

(c) Compute the Elasticity of production (ϵ_p) at 1 man hour [2 marks]

(d) What level of labour use depicts the end of stage 1 and stage 2 of a production function. [6 marks]

(iii) By use of an illustration, show the use of a production function in technology. [6 marks]

2. Discuss the role of agriculture in economic development. [20 marks]
3. (i) Discuss price floors and price ceiling as methods of government interference with the equilibrium. [15 marks]
- (ii) Distinguish between isoquants and production possibility curve. [5 marks]
4. (i) What is equilibrium? [3 marks]
- (ii) Discuss the problems associated with equilibrium. [7 marks]
5. The marketing of agricultural products is different from the marketing of manufactured goods. Discuss this statement showing the implications of these differences. [15 marks]
