

**W1-2-60-1-6**

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**YEAR 3 SEMESTER II EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE**

**HCOB 2505: PRODUCTION ECONOMICS**

**DATE: APRIL 2015 TIME: 2 HOURS**

**INSTRUCTIONS:**

* **Answer Question One and Any Other Two Questions**
* **Use graphical analysis where appropriate**

**QUESTION ONE: (30 marks)**

1. Analyze the distinguished features of labour that make it differ from other factors of production (5marks)
2. Elaborate how formation of capital becomes a strategic position in economic development process. (6marks)
3. Discuss the significance relationship that exists between different stages of economic growth and population changes (9marks)
4. In spite of a strong tendency towards large scale production in East Africa, small scale business has managed to survive. Account for their survival. (10marks)

**QUESTION TWO (20 MARKS)**

1. Making reference to developed economies, criticize the theory of Malthus in line with population (10marks)
2. An entrepreneur is a captain of the industry. Discuss (10marks)

**QUESTION THREE (20 MARKS)**

1. Analyze the relevance of production economics in the current economies (5marks)
2. Given a combination of fixed and variable factors of production, it would lead to returns to a variable factors diminishing in the presence of constant, diminishing and increasing returns to scale. Explain (15marks)

**QUESTION FOUR (20 MARKS)**

Explain the understanding of the following concepts;

1. Indivisibility (4marks)
2. Managerial costs (4marks)
3. MRTS LK (4marks)
4. Least cost combination of factors (4marks)
5. Risks and uncertainty (4marks)

**QUESTION FIVE (20 marks)**

1. Analyze the distinction between Malthus and Modern theory of population (4marks)
2. Justify the understanding that LAC curve is L-shaped (6marks)
3. Explain the economic effects of over-population in an economy. (10marks)