

UNIVERSITY OF EMBU

2016/2017 ACADEMIC YEAR

SECOND SEMESTER EXAMINATION

**SECOND YEAR EXAMINATION FOR THE DEGREES OF BACHELOR OF SCIENCE
IN AGRIBUSINESS MANAGEMENT**

AEB 212: INDUSTRIAL ORGANIZATION

DATE: APRIL 4, 2017

TIME: 11:00AM-1:00PM

INSTRUCTIONS:

Answer Question ONE and ANY Other TWO Questions.

QUESTION ONE (30 MARKS)

- a) Using examples in Kenya, define the following terms:
- i) Imperfect competition (2 marks)
 - ii) Oligopolistic competition (2 marks)
 - iii) Price differentiation (2 marks)
 - iv) Industrial organization (2 marks)
- b) Briefly explain six essential features of a perfectly competitive market. (6 marks)
- c) Discuss three sources of monopoly. (6 marks)
- d) Explain four essentials of a market. (4 marks)
- e) Briefly explain three sources of market power. (6 marks)

QUESTION TWO (20 MARKS)

- a) Explain the following pricing concepts:
- i) Predatory pricing (2 marks)
 - ii) Price discrimination (2 marks)
 - iii) Price competition (2 marks)

iv) Price elasticity

(2 marks)

b) Discuss six methods used by firms to differentiate their products and remain competitive.

(12 marks)

QUESTION THREE (20 MARKS)

a) Discuss the legal tools that regulate market power.

(8 marks)

b) Explain the basic cost concepts used in industrial organization to determine degree of efficiency.

(12 marks)

QUESTION FOUR (20 MARKS)

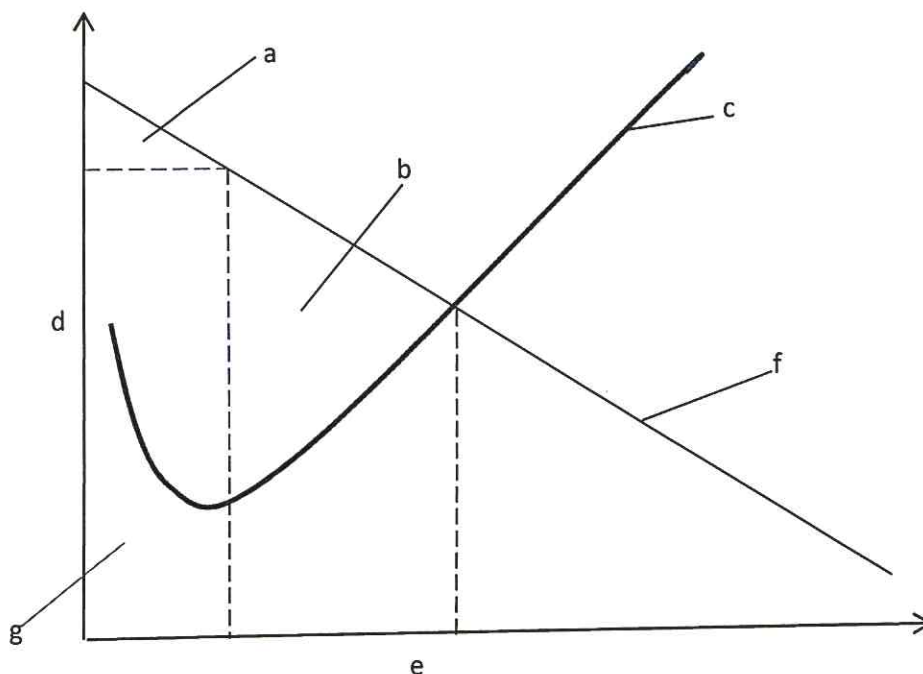
a) Distinguish between perfect competition and monopolistic competition.

(8 marks)

b) Identify and discuss the parts indicated in the figure below

(12 marks))

Figure 1: Efficiency



QUESTION FIVE (20 MARKS)

a) The following table shows the labour cost, materials cost and fixed capital and land cost of producing packed coffee at Meru Coffee Mills Ltd.

Production of packed coffee

Output per month (Kgs)	Labour cost (Kshs)	Material cost (Kshs)	Fixed cost (Kshs)
0	0	0	3000
70	500	700	3000
300	1000	3000	3000
420	1500	4200	3000
500	2000	5000	3000
540	2500	5400	3000
560	3000	5600	3000
600	3500	7000	3000

Calculate the following cost estimates for each level of output:

- i) Total Variable cost (4 marks)
- ii) Total cost (4 marks)
- iii) Average cost (4 marks)
- iv) Average variable cost (4 marks)
- v) Marginal cost (4 marks)

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