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**University Examinations 2015/2016**

FIRST YEAR, SECOND SEMESTER EXAMINATION FOR THE CERTIFICATE IN AGRICULTURE

**BUS 0161: PRODUCTION ECONOMIC AND AGRICULTURAL MARKETING**

**DATE: NOVEMBER 2015 TIME: 11/2 HOURS**

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

**QUESTION ONE (30 MARKS)**

1. i) What do you understand by a variable input (1 Mark)

 ii) Outline four characteristics of variable inputs (4 Marks)

1. Complete the table given below. (5 Marks)

|  |  |  |  |
| --- | --- | --- | --- |
| **Labour** | **Total product** | **Average product** | **Marginal product** |
| 0 | 0 | 0 | 0 |
| 1 | 10 | - | - |
| 2 | 20 | - | - |
| 3 | 28 | - | - |
| 4 | 34 | - | - |
| 5 | 38 | - | - |

1. i) Distinguish between constant and varying rate of substitution as related to factor-factor relationship (2 Marks)

 ii) Describe any four classes of markets based on the area covered by the market (4 Marks)

1. i) Outline four characteristics of a monopoly (4 Marks)

ii) Highlight four causes of deterioration of commodities in a market (4 Marks)

1. i) What is a marketing channel (2 Marks)

ii) Describe four factors affecting the composition of a promotion mix (4 Marks)

 **QUESTION TWO (15 MARKS)**

1. What is a production function (2Marks)
2. A farmer observes that, in order to produce 20 litres of milk he can choose alternative ways of using many combinations of hay and dairy meal as shown in the table below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Hay kg | 50 | 40 | 30 | 20 | 10 | 0 |
| DM kg | 0 | 0.5 | 2 | 4 | 7 | 20 |

 **Required:**

1. On a graph paper plot DM against Hay (5 Marks)
2. Supposing that the price of Hay = Kshs. 10 per kg and price of DM=Shs.20 per kg. Estimate the

least cost combination (8 Marks)

**QUESTION THREE (15 MARKS)**

1. Using illustrations describe the basic relationships in product-product relationship (8 Marks)
2. What do you understand by technical rate of substitution (1 Mark)
3. Describe any three production decisions that management comes across (6 Marks)

**QUESTION FOUR (15 MARKS)**

1. Highlight three importance of middlemen (3 Marks)
2. Describe the product life cycle and the pricing policy you would adopt in each stage (8 Marks)
3. Outline four sources of marketing information (4 Marks)