



# MERU UNIVERSITY OF SCIENCE AND TECHNOLOGY

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## University Examinations 2024/2025

### FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE CERTIFICATE IN AGRICULTURE

#### AAC 1202: AGRICULTURAL ECONOMICS

DATE: DECEMBER 2024

TIME: 1½ HOURS

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

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#### QUESTION ONE (30 MARKS)

- (a) Define the following terms
  - (i) Equilibrium price (2marks)
  - (ii) Supply and graphically illustrate a supply curve (4marks)
- (b) List three sources of economic knowledge (3 marks)
- (c) Describe three differences between macro and micro agricultural economics (6marks)
- (d) List four limitations of barter trade (4marks)
- (e) Explain the difference between a surplus and a shortage in the agricultural market (6marks)
- (f) List four factors of production in agriculture (2marks)
- (g) Define agricultural economics and explain its importance in rural development (3marks)

#### QUESTION TWO (15 MARKS)

- a) Define market equilibrium and provide a graphical representation of the same (5marks)

- b) In an agricultural market, the demand and supply function of rice are given by the following equations.

$$Q_d = 200 - 4P$$

$$Q_s = 2P + 40$$

Calculate the equilibrium price and quantity

(10 marks)

**QUESTION THREE (15 MARKS)**

- a) Describe economics of scale (3 marks)
- b) Discuss three economies types of economies scale (6marks)
- c) Explain how understanding the types of economies help policymakers develop effective economic strategies? (6 marks)

**QUESTION FOUR (15 MARKS)**

- (a) Discuss key functions money serve in economic transactions (5 marks)
- (b) Describe the role of a bank and categorize the different types of banks functioning in Kenya (10 marks)