



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY  
SCHOOL OF AGRICULTURAL AND FOOD SCIENCES**

**UNIVERSITY EXAMINATION FOR DEGREE OF BACHELOR OF SCIENCE IN  
FOOD SECURITY**

**SECOND YEAR SECOND SEMESTER 2017/2018**

**REGULAR**

---

**COURSE CODE: AAE 3225**

**COURSE TITLE: PRINCIPLES OF ECONOMICS**

**STREAM: BSc. Food Security**

**DATE:**

**EXAM SESSION:**

**TIME: 2.00 HOURS**

**EXAM VENUE:**

---

**Instructions:**

- 1. Answer ALL question in Section A (compulsory) and ANY other TWO questions in Section B.**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

## **SECTION A [30 MARKS]**

### **Answer ALL questions**

1. Explain how change in demand and supply affects the movement of the equilibrium. [5 Marks]
2. Give reasons why a government may set a minimum price for a commodity to prevent them from falling below a certain level. [5 Marks]
3. Describe the dangers associated with setting a minimum prices above an equilibrium price. [5 Marks]
4. Discuss the major determinants of 'Income elasticity of demand' and 'Cross-price elasticity of demand'. [5 Marks]
5. Differentiate between risk and uncertainty. [5 Marks]
6. Citing examples, explain two cases where the government may consider that certain products or services are best not allocated through the market at all. [5 Marks]

## **SECTION B [40 MARKS]**

### **Answer any TWO questions**

7.
  - a. Explain the likely effects of agricultural prices fluctuations. [10 Marks]
  - b. Discuss the main types of government intervention that can be used to ease the problems of declining farm incomes and short term price fluctuation for farmers. [10 Marks]
8. Using a diagram, explain the short-run and long-run response of:
  - a. Supply to an increase in demand. [10 Marks]
  - b. Demand o an increase in supply. [10 Marks]
9.
  - a. Explain four most commonly cited problems of a free market in agricultural products? [10 Marks]
  - b. Discuss the income and substitution effects of a price change. [10 Marks]