



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**FOURTH YEAR SECOND SEMESTER UNIVERSITY EXAMINATION FOR THE
DEGREE OF BACHELOR OF AGRIBUSINESS MANAGEMENT**

2016/2017 ACADEMIC YEAR

REGULAR

COURSE CODE: AAE 3423

COURSE TITLE: INTERNATIONAL AGRICULTURAL TRADE

EXAM VENUE: LAB 14

STREAM BSC. (AGRIBUSINESS MANAGEMENT)

DATE: 19/12/16

EXAM SESSION: 2.00 – 4.00 PM

TIME: 3 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other 2 Questions in section B.**
- 2. Candidates are advised not to write on 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 from this Section.

Question 1

- a) Explain the term 'International agricultural trade' (2 marks)
- b) Giving four reasons, explain why countries get involved in international agricultural trade (2 marks)
- c) Suppose a firm in a perfectly competitive market is producing at a level of output such that $MR > MC$, explain what the firm should do to maximize profit. (2 marks)

Question 2

- a) Explain one advantage of money trade over barter trade (2 marks)
- b) What determines the "price" of commodity or service exchange in trade? (2 marks)
- c) Briefly explain four different types of a duopoly? (3 marks)
- (d) Describe the shape of demand curve facing firms in a perfectly competitive market (2 marks)

Question 3

- a) Explain four non price strategies used by firms to compete in monopolistic competitive markets (2 marks)
- b) Using graphical illustration, describe the following terms as used in international trade:
 - i) Consumers surplus (3 marks)
 - ii) Producer surplus (3 marks)
- c) Differentiate between the following terms as used in international agricultural trade?
 - i) Comparative advantage and Absolute advantage (2 marks)
 - ii) Quota and Tariff (2 marks)

Question 4

- (a) Define the term "Protectionist policy" as used in international agricultural trade (1 mark)
- (b) Describe two protectionist policies practiced by governments in the international agricultural trade (2 marks)

SECTION B (40 MARKS)

Answer ANY TWO questions from this Section.

Question 5

- a) Compare and contrast Ricardian theory and Hecksher-Ohlin theory of trade. (10 marks)
- b) Explain five elements on a game in the game theory? (10 marks)

Question 6

- a) Discuss what happens to firms in a competitive market in the:
 - i. Short run (5 marks)
 - ii. Long run (5 marks)
- b) Describe three types of price discrimination used by monopolists? (10 marks)

Question 7

- a) Explain five conditions that a market needs to fulfill to be perfectly competitive (5 marks)
- b) Explain graphically and briefly how much produce does one firm supply to a perfectly competitive market? (5 marks)
- c) Discuss five reasons why a monopoly may arise? (10 marks)