



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

**SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN
AGRIBUSINESS MANAGEMENT YEAR 2 BACHELOR OF SCIENCE
AGRICULTURAL EDUCATION YEAR 2**

2019/2020 ACADEMIC YEAR SEMESTER 2

REGULAR

COURSE CODE: BEN 3225

SPECIAL EXAM

COURSE TITLE: Production Economics

EXAM VENUE: Online DATE:

TIME: 3 HOURS

Instructions:

- 1. Answer ALL questions in section A and ANY other TWO 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: ANSWER ALL QUESTIONS IN THIS SECTION (60 MARKS)

1. State and illustrate the Law that governs the relationship between inputs and outputs in a classical case of one variable input and one product (10 marks).
2. Differentiate between explicit costs and implicit costs that farmers incur in the course of production, and give an example of each (10 marks).
3. What are the two approaches a farmer can use in deciding on the amount of output to produce to maximize profits or minimize losses. Briefly explain each approach (10 marks).
4. For a given input/output price ratio, explain the effects of improvements in technology for the use of inputs in the production of a given product such as maize (10 marks).
5. Name three ways in which the farmer can determine the optimal or least-cost combination of inputs to use in the production process (10 marks).
6. Name three ways that the producer can utilize in determining the combination of products to maximize profits and to minimize losses (10 marks).

SECTION B: ANSWER ANY TWO QUESTIONS IN THIS SECTION (40 MARKS)

7. The market for agricultural commodities is perhaps the only market in which reality approximates the economist's definition of 'competitive'. Describe the conditions that produce this competitiveness (20 marks).
8. The supply and demand of a product like maize (as opposed to the quantity of maize supplied or demanded) are influenced by a number of factors. Name the factors that influence supply and those that influence demand for maize and briefly explain how they influence the supply or the demand (20 marks).
9. a) Differentiate between risk and Uncertainty (8 marks).
b) Identify and describe three Strategies a farmer can use to ameliorate the impacts of risk and uncertainty (12 marks).