



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF AGRICULTURAL AND FOOD SCIENCES

THIRD YEAR SECOND SEMESTER UNIVERSITY EXAMINATION FOR THE DEGREE

OF BACHELOR OF SCIENCE IN HORTICULTURE

2017/2018 ACADEMIC YEAR

REGULAR

COURSE CODE: AFB 3323

COURSE TITLE: Consumer Behavior II

EXAM VENUE:

STREAM: BSc. (Food Security)

DATE:

EXAM SESSION:

TIME: 2 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 [30MARKS]

QUESTION 1

- a) Explain the following terms. [10Mks]
- i) Utility maximization.
 - ii) Consumer surplus.
 - iii) Explicit and Implicit costs
 - iv) The Law of Diminishing Returns.
 - v) Marginal propensity to consume.
- b) Why do firms demand resources and in what way is a firm's demand for a resource a derived demand. [10Mks]
- c) What determines the strengths of a firm's demand for a productive resource? [10Mks]

SECTION B [40MARKS]

QUESTION 2

- a) Suppose the economy's consumption function is specified by the equation; [5Mks]
- $$C = \$50 + 0.80Y_d$$
- i) Find consumption when disposable income $[Y_d]$ is \$400, \$500 and \$600.
 - ii) Plot this consumption equation and Label it "C".
- b) What will happen to consumption function "C" in the above figure when; [15Mks]
- i) Consumers consider their jobs secure and therefore become more confident about the future level of disposable income.
 - ii) Credit card issuers implement tighter credit standards and consumers are less able to buy goods and services on credit.
 - iii) Consumers expect the price level to increase 10% by year end.

QUESTION 3

- a) Why is water which is essential to life so cheap while diamond which is not essential to life so expensive. [5Mks]
- b) Use the table below to answer the questions that follows.

UNITS	1	2	3	4	5	6	7	8	9	10
MU_x	14	12	11	10	9	8	6	4	3	1
MU_y	13	11	10	8	7	6	3	2	0	-5

- i) Describe how this consumer should spend each dollar of her \$10 to purchase each unit of x and y so as to maximize her total utility or satisfaction. [5Mks]
- ii) Show that her T_u would be less if she bought one more unit of either x or y . [5Mks]
- iii) Show that the equilibrium condition for utility maximization is satisfied when the consumer purchases $2x$ and $6y$. [5Mks]

QUESTION 4

- a) Discuss *five* impacts of online communication and emerging digital technologies on the business environment. [10Mks]
- b) Describe personality trait theory. Give *five* examples of how personality traits can be used in consumer research. [10Mks]

QUESTION 5

- a) Consumers characteristically develop their own strategies for reducing perceived risk. These risk reduction strategies enable them to act with increased confidence when making product decision. Discuss *five* ways on how consumers handle risks. [10Mks]
- b) Describe how you acquired information on the different colleges along the different attributes that were important to you and how you made your decision. Be sure to specify whether you used compensatory or non-compensatory decision rules. [10Mks]