MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF SCIENCE (AGRI-BUSINESS MANAGEMENT AND TRADE)

AGB 204: PRINCIPLES OF AGRICULTURAL MACROECONOMICS

DATE: 26/3/2021   **TIME: 2.00-4.00 PM**

INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions

QUESTION ONE (COMPULSORY 30MARKS)

a) Discuss citing relevant examples five issues in macroeconomic analysis   (15 marks)

b) Macroeconomic policies affect the overall performance of the economy. State and explain two macroeconomic policies   (5 marks)

c) Outline three fundamental choices an agricultural sector has to make about how to allocate scarce resources   (10 marks)

QUESTION TWO (20 MARKS)

a) The economic problem of allocating resources in a situation of scarcity can be illustrated by explaining the concept of production possibility frontier (PPF). Define PPF and with an aid of a diagram show and explain the three production space in PPF curve   (10 marks)

b) Discuss five roles of central bank of Kenya   (10 marks)

QUESTION THREE (20 MARKS)

a) Distinguish between fiscal and monetary policy   (8 marks)

b) State and explain how international trade can boost agricultural sector for Kenya

    (15 marks)

QUESTION FOUR (20 MARKS)

a)   Explain the difference between comparative advantage and absolute advantage

(5 marks)

b)   Explain five policy instruments for monetary policy   (15 marks)

QUESTION FIVE (20 MARKS)

Explain the following concepts

a)   Command economy

b)   Financial crisis

c)   Budget deficits

d)   Opportunity cost

e)   Production possibility frontier