



MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR SPECIAL/ SUPPLEMENTARY EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGB 305/ KBT 420: INTERNATIONAL TRADE

DATE: 21/01/2021

TIME: 8.30-10.30 AM

INSTRUCTIONS:

Instructions: Answer question ONE and any other TWO questions

QUESTION ONE (30 MARKS)

- a) Define the following international trade terms;
- i. Import quota (1 mark)
 - ii. Infant industries (1 mark)
 - iii. Devaluation (1 mark)
 - iv. Terms of trade (1 mark)
 - v. International trade (1 mark)
- b) Describe the aims behind the formation of regional trade agreements (5 marks)
- c) Explain five reasons why government impose trade barriers (5 marks)
- d) Outline five roles of regional trade agreements (5 marks)
- e) Explain five effects of international capital flows (10 marks)

QUESTION TWO (20 MARKS)

- a) Country A has the following monetary and economic transactions made in the year 2018 with the rest of the world. Compute its Balance of Payment (15 marks)

Particulars	Amount
Current account	
Exports of goods	\$350,000
Imports of goods	-\$400,000
Exports of services	\$175,000
Imports of services	-\$195,000
Capital account	
Net capital account balance	\$45,000
Financial account	
Net direct investment	\$75,000
Net portfolio investment	-\$55,000
Assets funding	\$25,000
Errors and omissions	\$15,000

- b) What does the value of country A's Balance of Payment depict (5 marks)

QUESTION THREE (20 MARKS)

- a) What is a subsidy (2 marks)
- b) Discuss the four types of subsidies (8 marks)
- c) With the aid of a graph, outline the incidence of a subsidy in an economy (10 marks)

QUESTION FOUR (20 MARKS)

Suppose there are two countries X and Y, producing two commodities wheat and barley with labor as the only factor of production. Suppose also that country X has absolute advantage in production of wheat and barley where as country B has no absolute advantage in production of any of the products. Using the theory of comparative advantage with the aid of a table with hypothetical figures depicting the above situation, explain how trade can be beneficial for the two countries

QUESTION FIVE (20 MARKS)

- a) Highlight five disadvantages which may accrue to a country engaging in international trade (5 marks)
- b) Despite the flaws associated with trade liberalization, free trade has some benefits to the participating countries. Outline five advantages of free trade between nations (5 marks)
- c) Describe five dangers associated with capital flows (10 marks)