



MACHAKOS UNIVERSITY

University Examinations for 2021/2022 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE (AGRIBUSINESS MANAGEMENT AND TRADE)

AGB 406: ANALYSIS OF AGRICULTURAL INSTITUTIONS AND AGENCIES

DATE: 6/12/2019

TIME: 8:30 – 10:30 AM

INSTRUCTIONS: Answer question ONE and any other TWO questions

QUESTION ONE (30 MARKS)

- a) Using specific examples in agricultural sector, explain the following terms as used in Institutional Economics:
- Rules (2 marks)
 - Asset specificity (2 marks)
 - Adverse selection (2 marks)
- b) Explain five contributions of agricultural institutions to the agricultural sector in Kenya (5 marks)
- c) Using an agricultural agency of your own choice in Kenya, explain three challenges related to its operations (6 marks)
- d) Explain three options that can be used to constrain opportunistic behavior in transacting parties. (6 marks)
- e) Distinguish between formal and informal rules as applied in agricultural institutions (7 marks)

QUESTION TWO (20 MARKS)

- a) Describe six strategic responses to reduce information differences between the principal and the agent (12 marks)
- b) Describe four factors that determine the extent of transaction cost in agricultural institutions (8 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the transaction problems that are posed by adverse selection. (6 marks)
- b) Using relevant agricultural examples, discuss the concept of principal-agent problem (6 marks)
- c) Elaborate the four (4) basic principles of contract design applied in agricultural institutions (8 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the contracting problems associated with alternative behavioral pattern (10 marks)
- b) Describe five factors that influence make or buy decisions in agricultural institutions (10 marks)

QUESTION FIVE (20 MARKS)

- a) Describe five uncertainties posed by the transaction environment (10 marks)
- b) Citing relevant examples discuss five differences between institutions and organizations (10 marks)