#### MIDLANDS STATE UNIVERSITY

FACULTY OF NATURAL RESOURCES MANAGEMENT AND AGRICULTURE

**INTRODUCTION TO AGRICULTURAL ECONOMICS**

**CODE: HACE 101**

### SESSIONAL EXAMINATIONS

**DECEMBER 2017**

**DURATION: 3 HOURS**

**EXAMINER: MR N. CHIPUNZA**

## INSTRUCTIONS

1. *Answer* ***all*** *questions in Section A*
2. *Answer any* ***three*** *questions from Section B*
3. *Requirements:*

*-Scientific calculator*

*-Graph paper*

**SECTION A [Each question 1 to 15 carries 1 mark ]**

1. Which of the following is not a harmful effect of inflation?
2. Unanticipated inflation increases the risk associated with long-term contracts.
3. Inflation distorts the information delivered by market prices.
4. Individuals will waste productive resources protecting themselves from the effects of inflation.
5. Inflation increases the purchasing power of the dollar.
6. Which of the following inputs are variable in the long run
7. Labour
8. Capital and equipment
9. Plant size
10. All of the above
11. The slope of the total product curve is the
12. Average product
13. Slope of a line from the origin to the point
14. Marginal product
15. Marginal rate of technical substitution
16. The law of diminishing returns refers to diminishing
17. Total returns
18. Marginal returns
19. Average returns
20. All of the above
21. The shape of the production possibility frontier can be described as:
22. Upward- sloping and concave to the origin
23. Downward- sloping and concave to the origin
24. Downward- sloping and convex to the origin
25. Upward- sloping and convex to the origin
26. None of the above
27. The demand for a commodity is perfectly elastic. A firm producing the commodity currently sells 100 units at $5 each. What will be the revenue obtained by the firm if it increases the price to $6?
28. Zero
29. $400
30. $500
31. $600
32. None of the above
33. Which of the following would cause a rightward shift of the demand for labour:
34. An increase in the price of output that labour produces
35. A decrease in the demand for the output that labour produces
36. A decrease in the productivity of labour
37. Labour shortage
38. A decrease in wages
39. Which of the following is not one of the assumptions of a perfectly competitive market:
40. Homogenous product
41. Large number of buyers and sellers
42. Better information for producers than consumers
43. Free entry and exit
44. Which of the following is not a consequence of the imposition of a rent ceiling on the market for rental accommodation?
45. There are lower rents for those who can get rental accommodation
46. There is a reduction in the quantity supplied of rental accommodation
47. It solves the problem of a shortage of rental accommodation
48. There may be an incentive for black/ shadow markets to form
49. Landlords may not earn a market-related return on their properties
50. If a Mutare based producer knew her product to be an inferior good, and if she knew that average household income in the Manicaland region was predicted to fall, she would:
51. Decrease production immediately because the demand for her product would surely fall
52. Keep on producing the same amount of the product
53. Increase production because the demand for her product would rise
54. Try to overcome the inferiority of her product by improving its quality
55. Switch production to some luxury product
56. An isoquant:
57. is a curve that shows all combinations of two goods that give the same amount of utility
58. is a curve that shows that using less of one input compensates for using less of another input
59. is a curve that shows the same quantity of output using differing combinations of input
60. is a representation of the quandary producers find themselves in – unable to choose between input use- and there is no solution
61. **N**one of the above
62. Governments may allow monopolies to operate
63. True
64. False
65. An indifference curve is curve which shows the different combinations of two products that:
66. Give a consumer equal marginal satisfaction
67. Give the consumer equal total satisfaction
68. Cost a consumer equal prices
69. Have same prices
70. What does GDP mean?
71. The total income produced by citizens of the country
72. A green development plan
73. The total production generated within the country
74. Good domestic productivity
75. All issues listed below are microeconomic nature except:
76. Deciding on how to reduce inflation
77. Deciding the appropriate advertising strategy for the firm
78. Deciding the appropriate pricing strategy for the firm
79. Deciding how a consumer should maximize his utility
80. Deciding on how a firm can maximize its profits
81. At a price of $15.00 per bucket of tomatoes, smallholder farmers were delivering 600 tonnes per week to the local market *‘Musika wehuku’.* As the season advanced the price of tomatoes went down to $10.00 per bucket resulting in farmers delivering 500 tonnes of tomatoes per week. Calculate the elasticity of supply and interpret the value of elasticity. **[10 marks]**

**SECTION B**

**QUESTION 1**

Explain graphically what would happen to the supply of an agricultural commodity if:

1. there is an introduction of an input subsidy **[5 marks]**
2. Price of a competing product falls **[5 marks]**
3. Cost of production rises **[5 marks]**
4. Technology improves **[5 marks]**
5. Prices of inputs increases **[5 marks]**

**QUESTION 2**

1. Interpret the following production function Q = f ( X1 | X2 X3 …………Xn) **[4 marks]**
2. Define the following terms. Use diagrams and examples where possible
3. Least cost combination **[4 marks]**
4. Opportunity cost **[4 marks]**
5. Principle of equi- marginal returns **[4 marks]**
6. The law of diminishing marginal returns **[4 marks]**
7. Derived demand for inputs **[5 marks]**

**QUESTION 3**

1. What is price discrimination? **[3 marks]**
2. What are the **three** conditions that make it successful? **[9 marks]**
3. Define oligopoly **[3 marks]**
4. What is the difference between change in demand and change in quantity demanded? Use graphs to support your answer. **[10 marks**

**QUESTION 4**

1. State **three** types of uncertainties **[3 marks]**
2. With the aid of diagrams, illustrate the effect of technological change on agricultural production on the following:
3. Total Product curve **[6 marks]**
4. Isoquant **[6 marks]**
5. Production Possibility frontier **[6 marks]**
6. List **two** uses of elasticity **[4 marks]**

**QUESTION 5**

1. Discuss the factors which make agriculture more susceptible to price cycles **[5 marks]**
2. Draw and explain an Engel curve for
	* 1. normal good **[5 marks]**
		2. inferior good [**5 marks]**
3. Briefly explain land tenure systems in Zimbabwe **[10 marks]**

**END OF EXAMINATION**