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AGRICULTURAL ECONOMICS I  
AND EXTENSION EDUCATION  
Oct./Nov. 2011  
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**DIPLOMA IN AGRICULTURE  
MODULE I**

AGRICULTURAL ECONOMICS I AND EXTENSION EDUCATION

3 hours

**INSTRUCTIONS TO CANDIDATES**

*You should have the following for this examination:*

*Answer booklet;*

*Scientific calculator;*

*This paper consists of TWO sections A and B.*

*Answer any THREE questions from section A and any TWO questions from section B.*

*All questions carry equal marks.*

*Maximum marks for each part of a question are as shown.*

**This paper consists of 4 printed pages.**

**Candidates should check the question paper to ascertain that all pages are printed as indicated and that no questions are missing.**

SECTION A: AGRICULTURAL ECONOMICS I

Answer any **THREE** questions from this section.

1. ✓ (a) (i) Explain the functions of money. 3  
 (ii) State the characteristics of money. 3  
 (10 marks)
- (b) Outline the role of Central Bank. 5  
 (10 marks)

2. (a) (i) Illustrate the relationship between Total Physical Product (TPP), Average Physical Product (APP) and Marginal Physical Product (MPP) in a factor-product relationship.  
 (ii) Define the Total Physical Product curve (TPPc), Average Physical Product Curve (APPc) and the Marginal Physical Product curve (MPPc). 5  
 (14 marks)
- (b) Using **figure 1** below identify and explain the shapes of curves **A** and **B**. (6 marks)

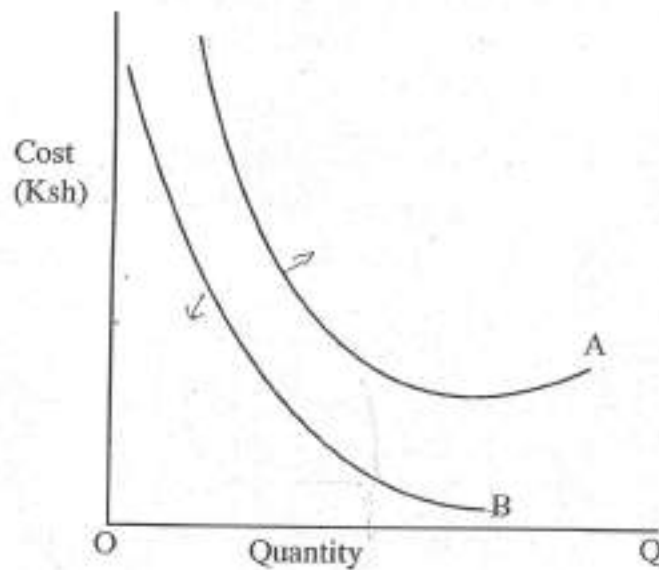
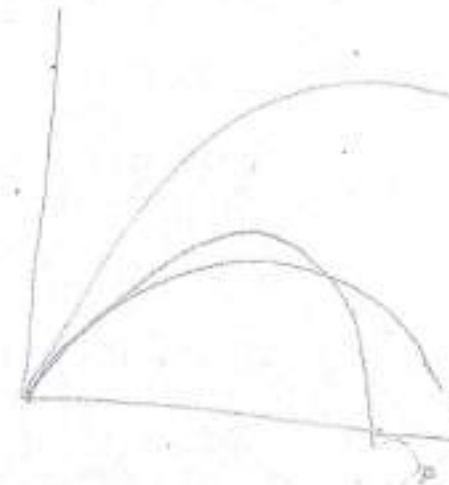


Figure 1



3. ✓ (a) State the factors that influence the demand for a commodity. (5 marks)
- (b) (i) Distinguish substitutes from complements commodities. 2  
 (ii) Explain the effects of price change on substitutes and on component commodities. 2  
 (6 marks)
- (c) (i) Define the term price elasticity of demand.

- (ii) In a given market, the price of millet changes from Ksh. 40 to Ksh. 50 per kg. Consequently, the quantities demanded change from 120 kg to 100 kg.

Calculate the price elasticity of demand.

(5 marks)

- (d) Explain how the price elasticity of demand affects the welfare of consumers and producers if the goods are elastic. (4 marks)

4. (a) (i) Highlight the role of an economic system.

- (ii) Name **three** types of economic systems.

(7 marks)

- (b) (i) On the same axis, illustrate the supply and demand curves.

- (ii) Explain the cause of shift along the demand curve.

- (iii) State the factors that may cause the shift of the whole demand curve.

(9 marks)

- (c) Enumerate the factors that influence the supply of a commodity.

(4 marks)

5. Study table 1 and use it to answer the questions that follow.

Fixed factor (No. of Hac.)	Variable factor (Units of labour)	Total Product (90 kg bags millet)	Marginal product (Bags - millet)	Average product (Bags millet)
1	0	0	-	-
1	1	10	-	-
1	2	24	-	-
1	3	42	-	-
1	4	52	-	-
1	5	60	-	-
1	6	66	-	-
1	7	70	-	-
1	8	72	-	-
1	9	72	-	-
1	10	70	-	-

Table 1

- (a) Complete the table by filling the columns for Marginal Product and Average Product. (11 marks)

- (b) Plot the production function curve. (6 marks)

- (c) Deduce and state the law depicted by the curve in 5 (b) above. (3 marks)

23  
23  
56

**SECTION B: EXTENSION EDUCATION**

Answer any **TWO** questions from this section.

6. ✓  
R 2 2 8  
1 2 3 1 2 3  
E 3 2 5  
A 23  
7. ✓

- (a) Explain eight principles of extension education. *(1) plan and of interdisciplinary (2) Gated*  
 1. Participatory *(3) Planned change (4) Decision making*  
 2. Appropriate teaching *(5) Voluntary (6) Farmer ability* (16 marks)

- (b) Explain the following approaches to extension service  
 (i) farming systems;— *Examining*  
 (ii) participatory. — *farm* (4 marks)

- (a) (i) Define the term sociology. → *it is a science which study on how people interact and live in the society* (1 mark)  
 (ii) Explain what rural sociology entails. (2 marks)

- (b) Highlight the characteristics of urban society. *(i) how people (ii) how people interact in the rural* (5 marks)

- (c) (i) Explain the term culture. → *the way of life and defines the appropriate mode of conduct in a society* (2 marks)  
 (ii) State two factors that may influence cultural change. (2 marks)

- (d) Explain the importance of a family as a social institution, in agricultural development. *- They are the immediate consumers - They offer labor - Site for production* (8 marks)

- (a) (i) Explain the role of a local leader in effective and efficient delivery of extension service. (8 marks)  
 (ii) Describe authoritarian leadership citing one advantage and one disadvantage. (7 marks)

- (b) State the roles of groups in agricultural development. (5 marks)

Techniques

Outline