2425/103
AGRICULTURAL ECONOMICS I
AND EXTENSION EDUCATION
June/July 2018
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;
    Non-programmable 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 in the answer booklet provided.
All questions carry equal marks.
Maximum marks for each part of a question are indicated.
Candidates should answer the questions in English.

This paper consists of 4 printed pages.

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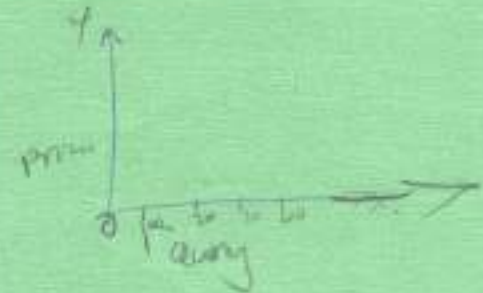all the pages are printed as indicated and that no questions are missing.

     Turn over

SECTION A: AGRICULTURAL ECONOMICS I (60 marks)

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

1. (a) Table I shows price and quantity demanded at various levels of production.

    Table I

Price	50	45	40	35	30	25	20
Quantity demanded	100	200	300	400	500	600	700

    (i)   Use the table to plot a demand curve.

    (ii) Name the law illustrated by the curve.

    (iii) Calculate the elasticity in between the schedules.   (13 marks)

    (b) Highlight the advantages of a planned economic system.   (7 marks)

2. (a) State any **five** ways in which Central Bank of Kenya regulates money supply.
                                                                        (5 marks)

    (b) Explain the merits and demerits of monoculture as a farming system.   (10 marks)

    (c) Describe the advantages of owner operated farming business.   (5 marks)

3. (a) Describe the features of the following factors of production:

    (i)   land;
    (ii) labour.   (10 marks)

    (b) Explain the following forms of labour mobility:

    (i)   geographical;
    (ii) occupational;
    (iii) horizontal;
    (iv) vertical.   (10 marks)

4. (a) Define the law of diminishing return.   (2 marks)

    (b) Table II shows the labour used in the production of commodity Y in kilograms (kg).

    Table II

Units of Labour	Yields (Kgs)	Total Revenue (TR)	Total Cost (TC)	Marginal Revenue (MR)	Marginal Cost (MC)
0	0				
10	360				
20	860				
30	1500				
40	2000				
50	2100				
60	2150				

Given that the cost of labour is Ksh. 50 per man days and the price of Y is Ksh. 10 per Kg:

    (i)   complete the table by calculating the values of TR, TC, MR and MC;

    (ii) determine the point of profit maximization.   (16 marks)

    (c) Using a diagram, illustrate the profit maximizing point in agricultural production.
                                                                    (2 marks)

5. (a) Highlight the characteristics of the rational zone of agricultural production.
                                                                    (4 marks)

    (b) Explain the characteristics of agricultural production.   (10 marks)

    (c) Using a diagram, explain how pricing is done in a free market. (6 marks)

SECTION B: EXTENSION EDUCATION (40 marks)

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

6.   (a)   Explain the effects of urbanization on national development.   (10 marks)

     (b)   Explain forms of social interactions.   (10 marks)

7.   (a)   Describe the principles which guide extension work.   (10 marks)

     (b)   Describe democratic leadership with respect to:

           (i)   definition;
           (ii)   advantages;
           (iii) disadvantages.   (10 marks)

8.   (a)   Highlight the importance of social institutions in extension work.   (6 marks)

     (b)   Explain the basic elements of culture.   (14 marks)

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