



# MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

SECOND YEAR SPECIAL/SUPPLEMENTARY EXAMINATION FOR  
BACHELOR OF SCIENCE (AGRI-BUSINESS MANAGEMENT AND TRADE)  
AGB 204: PRINCIPLES OF AGRICULTURAL MACROECONOMICS

DATE: 26/3/2021

TIME: 2.00-4.00 PM

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## INSTRUCTIONS:

Answer Question **ONE** and any other **TWO** questions

### QUESTION ONE (COMPULSORY 30MARKS)

- a) Discuss citing relevant examples five issues in macroeconomic analysis (15 marks)
- b) Macroeconomic policies affect the overall performance of the economy. State and explain two macroeconomic policies (5 marks)
- c) Outline three fundamental choices an agricultural sector has to make about how to allocate scarce resources (10 marks)

### QUESTION TWO (20 MARKS)

- a) The economic problem of allocating resources in a situation of scarcity can be illustrated by explaining the concept of production possibility frontier (PPF). Define PPF and with an aid of a diagram show and explain the three production space in PPF curve (10 marks)
- b) Discuss five roles of central bank of Kenya (10 marks)

### QUESTION THREE (20 MARKS)

- a) Distinguish between fiscal and monetary policy (8 marks)

- b) State and explain how international trade can boost agricultural sector for Kenya  
(15 marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain the difference between comparative advantage and absolute advantage  
(5 marks)
- b) Explain five policy instruments for monetary policy  
(15 marks)

**QUESTION FIVE (20 MARKS)**

Explain the following concepts

- a) Command economy
- b) Financial crisis
- c) Budget deficits
- d) Opportunity cost
- e) Production possibility frontier