MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

THIRD YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGB 305: INTERNATIONAL TRADE

DATE: 29/11/2019   **TIME: 2.00-4.00 PM**

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INSTRUCTIONS;
Answer question one and two other questions

QUESTION ONE (30 MARKS)

a)   Define the following terms as they relate to international trade;

    i.   Embargo   (1 mark)

    ii.   Dumping   (1 mark)

    iii.   Terms of trade   (1 mark)

    iv.   Economies of scale   (1 mark)

    v.   Voluntary export restraints   (1 mark)

b)   Explain five benefits a country gains by engaging in international trade   (5 marks)

c)   Outline five assumptions underlying the classical theories of international trade   (5 marks)

d)   Explain five limitations of terms of trade   (5 marks)

e)   Explain the disadvantages of free trade in an economy?   (10 marks)

QUESTION TWO (20 MARKS)

a)   Explain the concept of Balance of Payments   (2 marks)

b)   Describe the relevance of Balance of Payments in the economy   (8 marks)

c)   Highlight five measures taken by governments to correct disequilibrium in an economy

(10 marks)

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QUESTION THREE (20 MARKS)

a) Explain what is meant by the term international capital flows   (2 marks)

b) Describe the four classifications of international capital movements   (8 marks)

c) Explain any five factors which influence international capital flows   (10 marks)

QUESTION FOUR (20 MARKS)

a) What is a tariff?   (2 marks)

b) With the aid of a diagram, outline the effect of an import tariff in an economy   (18 marks)

QUESTION FIVE (20 MARKS)

Suppose there are two countries A and B producing two commodities X and Y with equal amounts of resources i.e. labour. Using the theory of absolute advantage, highlight how trade can be beneficial for both countries. Use a table with hypothetical figures to highlight this phenomenon to aid you in the discussion