MACHAKOS UNIVERSITY

University Examinations for 2019/2020 Academic Year

SCHOOL OF AGRICULTURAL SCIENCES

DEPARTMENT OF AGRIBUSINESS MANAGEMENT AND TRADE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF SCIENCE IN AGRIBUSINESS MANAGEMENT

AGB 308: AGRICULTURAL PRICE ANALYSIS

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

INSTRUCTIONS;
Answer question one and two other questions

QUESTION ONE (30 MARKS)

a) Define the following terms as they relate to agricultural price analysis

    i.   Predatory pricing   (1 mark)

    ii.   Price discrimination   (1 mark)

    iii.   Odd pricing   (1 mark)

    iv.   Mark-up pricing   (1 mark)

    v.   Price skimming   (1 mark)

b) Explain five demand shifters of agricultural commodities   (5 marks)

c) Outline five advantages of the market system in the economy   (10 marks)

d) Given the demand curve of a monopolist as X=50-0.5P, and its cost function as C=50+40X

    i.   Compute the monopolists equilibrium price   (5 marks)

    ii.   Compute its maximum profit at this equilibrium price   (5 marks)

QUESTION TWO (20 MARKS)

a) Outline five organizational and marketing objectives firms consider when setting their prices   (5 marks)

b) Explain five main drives of price volatility in the agricultural sector   (5 marks)

c) Describe five policy responses used by governments and other stakeholders in the agriculture sector in addressing price volatility   (10 marks)

QUESTION THREE (20 MARKS)

a)   Describe five roles of prices in an economy   (10 marks)

b)   Explain five causes of monopoly power in a market   (10 marks)

QUESTION FOUR (20 MARKS)

a)   With the aid of a diagram, explain the concept of maximum price setting by governments

(10 marks)

b)   Highlight five reasons behind setting the maximum price   (5 marks)

c)   Explain the problems associated with maximum prices   (5 marks)

QUESTION FIVE (20 MARKS)

The demand for mangoes has two separate components with the following price dependent demands;

$P_f = 250 - 1.5Q_f$ and

$P_P = 200 - 0.36Q_P$

Where P_f is price in Kshs per litre in fresh segment, P_p is price in Kshs per litre in processed segment, Q_f is quantity in millions of litres in fresh segment, and Qp is quantity in millions of litres in processed segment.

a)   If 400 million liters are produced;

    i.   How much would be sold in each use   (4 marks)

    ii.   What single price would prevail in the market   (2 marks)

    iii. The total revenue generated at this price   (4 marks)

b)   If 400 million liters are produced and price discrimination can be applied;

    i.   What price should be charged in each use   (4 marks)

    ii.   how much will be sold in each use to maximize revenue (4 marks)

    iii. The total cumulative revenue generated at these prices (2 marks)