

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATION
RESIT/SUPPLEMENTARY / SPECIAL EXAMINATIONS
EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF
AGRICULTURAL ECONOMICS**

ECON 412: ECONOMICS OF INDUSTRY**STREAMS:****TIME: 2 HOURS****DAY/DATE: MONDAY 01/11/2021****11.30 A.M - 1.30 P.M.****INSTRUCTIONS:****Answer question one and any other two questions****QUESTION ONE (30 MARKS)**

- a. Distinguish between the following pair of terms. (10 marks)
- i. Market structure and market power
 - ii. Duopoly and pure oligopoly
 - iii. Industry and firm
 - iv. Merger and cartel
 - v. Vertical integration and price discrimination
- b. The demand and average total cost facing a firm are given as below;

$$P = 6 - \frac{3}{5}Q$$

$$ATC = Q - \frac{2}{5} + \frac{3}{Q}$$

Determine the level of output and price that maximizes profits for the firm hence calculate the maximum profit. (8 marks)

- c. Discuss the sources of monopoly power (6 marks)
- d. With the aid of a diagram, explain why the demand curve of an oligopolistic firm is kinked (6 marks)

QUESTION TWO (20MARKS)

- a. Industrialization is key for economic growth and development of any country. Discuss the key initiatives and policies being implemented by the Kenyan government to promote industrialization. (10 marks)
- b. What are the challenges facing industrialization in Kenya? (10 marks)

QUESTION THREE (20 MARKS)

- a. Technological innovations have been advocated as the key to economic growth and development. Argue for and against this statement with reference to developing countries (10 marks)
- b. How does the govern regulate industries in Kenya? Highlight at least five challenges that face government regulation of industries (10 marks)

QUESTION FOUR (20 MARKS)

- a. Discuss the obligations of the employer in ensuring the health and safety of his employees at the workplace as stipulated by occupational health and safety (10 marks)
 - b. Discuss any theory of vertical integration (10 marks)
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