



BSc in Tea Technology and Value Addition
Third Year Second Semester Examination –December 2017/ January 2018

Tea Resource Economics (TEA 334 – 2)
Section I – Structured Questions

Instructions:

Answer **all** questions in the given space.

No. of questions : Two (02)

No. of pages : Eight (08)

Time : One (01) hour

Index Number

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Total marks allocated : 40%

01.

(I)

a) Distinguish between Recurrent Expenditure and Capital Expenditure? (10 marks)

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b) Give two (02) examples for each with respect to tea sector. (10 marks)

Recurrent expenditure	Capital expenditure
i.	i.
ii.	ii.



(II)

a) Name four (04) major factors affecting the cost of production in a tea estate.

(10 marks)

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b) Name five (05) factors affecting the cost of harvesting.

(10 marks)

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c) Give five (05) components of the cost of tea processing.

(10 marks)

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(III)

a) What is meant by “Business Valuation”?

(10 marks)

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b) A typical tea broker considers major three factors in the process of “valuation” of tea. What are those three (03) factors? (10 marks)

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c) Name five (05) factors affecting the valuation of a tea bush. (10 marks)

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(IV) An Assistant Superintendent of a tea estate is going to evaluate a project using the payback period.

Year	Project Cost	Project Benefits	Net Cash Flows	Cumulative Cash Flows
1	100 000	0		
2	40 000	35 000		
3	20 000	38 000		
4	45 000	40 000		
5	15 000	45 000		
6	15 000	50 000		
7	15 000	55 000		
8	10 000	45 000		
9	10 000	43 000		
10	10 000	40 000		

- a) Find the Net Cash Flows and Cumulative Cash Flows in the given table. (10 marks)
- b) Calculate the payback period of the project. (10 marks)

02.

(I) Define the followings in relation to Labor (5 marks x 4 = 20)

a) Marginal Revenue Product (MRP)

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b) Marginal Factor Cost (MFC)

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c) Value Marginal Product (VMP)

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d) Monopsony

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(II)

a) Are MRP and VMP the same for firms in perfectly competitive markets and for the firms that are price searchers? (5 marks)

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b) Justify your answer in II (b) with graphical illustrations (10 marks)

(III) Graphically show how many units of labor should a firm buy to maximize profits (10 marks)

(IV) What is meant by Least Cost Rule? (10 marks)

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(V) Based on the above (IV) rule, in what condition the firm buys more capital and less capital (05 marks)

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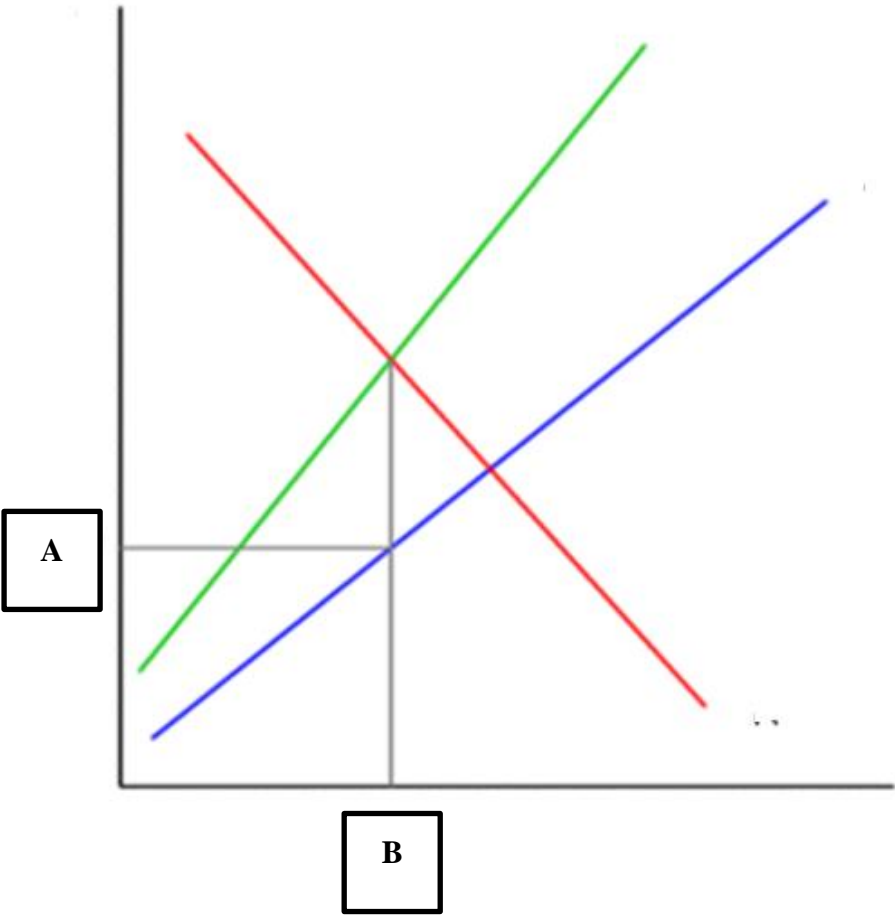


(VI) Graphically show the market supply curve of labor and an individual's supply curve of labor (10 marks)

(VII) What are the two reasons that affect the shape of the individual's supply curve of labor (05 marks)

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(VIII) The following curves show wage and employment determination under a monopsony labor market. Name X-axis, Y-axis, the three curves, and A and B points (10 marks)



(IX) Suppose the production function is given by;

(5 marks x 3 = 15)

$$y = 2x^{0.5}$$

The price of x is \$3 and price of y is \$4.

a) Derive the corresponding VMP and Average Value Product (AVP) functions

b) What is MFC?

c) Solve for the profit-maximizing level for input use x .

[End of the Section I]