

**Uva Wellassa University
BSc in Export Agriculture
Bachelor of Animal Science**



**End Semester Examination – March/April 2011
Year II Semester I**

Economic Thinking in Agriculture (EAG 221-3/0) Repeat

Instructions

Answer five (5) questions. Select three (3) questions from part one (I) and two (2) questions from part two (II)

No. of questions : Seven (07)
No. of pages : Four (04)
Time : Three hours (3 hrs)
Total marks allocated : 40/100



Part I

1.
 - a. List out the factors that affect for demand.
 - b. What is the “ Price Elasticity of Demand”.
 - c. The law of supply demonstrates the quantities that will b sold at a certain price. What are the factors that shift the supply curve?
 - d. Suppose the market demand for milk packet is $Q_d = 200 - 5P$, and the supply of milk packet is $Q_s = 2P - 80$, where P is the price of milk packet, Q_s and Q_d are quantity supplied and quantity demanded respectively.
 - I. What is the equilibrium price?
 - II. What is the equilibrium quantity?
 - III. After shifting demand function in to $Q_d' = 235 - 5P$, what is the equilibrium price & equilibrium quantity?
2.
 - a. What are the properties of indifference curves?
 - b. Derive constant expenditure demand curve and constant utility demand curve for normal goods from indifference curves.
 - c. Show that $MU_x = P_x$ where MU_x is the marginal utility of good x and P_x is the price of good x .

- d. If Tom's budget line has intercepts 20x and 30y and $P_y = \$10$,
- I. What is Tom's income?
 - II. What is P_x ?
 - III. What is the slope of budget line?

3.

- a. Define the following
- i. Marginal Cost
 - ii. Average Cost
 - iii. Fixed cost
 - iv. Average variable cost
- b. The total cost function of tomato production has been found as

$$C = 1500 - q + 0.01q^2$$

Where C (cost) is in rupees (Rs) and Q (output) is in kilograms (Kg). The market price of product is 13 per Kg (13/Kg).

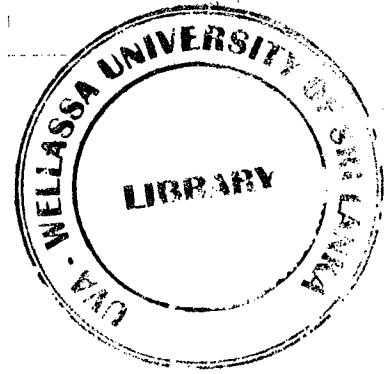
Find

- I. Cost minimizing output level
- II. Profit maximizing output level

4.

- a. Explain the law of diminishing marginal returns.
- b. Briefly explain stages of the production
- c. Write down the characteristics of property rights.
- d. Give two examples for positive and negative externalities.

Part II



5. Define the following terms:

i. GDP

iii. NNP

ii. GNP

iv. NI

b. Discuss rules in computing GDP.

c. What is meant by chain weighted measure of real GDP?

d. Calculate the GDP from the following data.

	Total (Billions of dollars)
Consumption	6,757.30
Nondurable Goods	2,010.00
Durable Goods	820.30
Services	3,927.00
Investment	1,832.70
Nonresidential Fixed Investment	1,362.20
Residential Fixed Investment	416.00
Inventory Investments	54.50
Government Purchases	1,743.70
Federal	595.20
Defense	377.00
Nondefense	218.20
State or Local	1,148.60
Net Exports	-370.70
Exports	1,097.30
Imports	1,468.00

6. Briefly explain the following;

a. The Goods Market and the LS curve.

b. The Money Market and the LM curve.

c. Effects of a change in fiscal policy.

7. Write short notes on any **four (4)** of the following topics.

- a. Business Cycle
- b. Potential output
- c. Short run aggregate supply curve
- d. Unemployment
- e. Inflation
- f. Budget deficit



PART - B

- 05.
- i. Differentiate Projects from Operations. (2 Marks)
 - ii. Briefly explain the reasons for projects to fail. (2 Marks)
 - iii. What are the core project management tools? (4 Marks)
 - iv. Briefly discuss the factors to be considered when selecting an appropriate project management structure. (6 Marks)
 - v. Compare and contrast the advantages and disadvantages of dedicated vs matrix project management structures. (6 Marks)

- 06.
- i. What is project appraisal and why it is important? (2 Marks)
 - ii. ABC group has identified an initial outlay of Rs 800,000 for a project of one year duration and the expected return from the project is Rs 1,500,000.
 - a) Calculate the Return on Investment (ROI) for the above project. (2 Marks)
 - b) Advice ABC group with merits and demerits of using ROI. (4 Marks)
 - iii. Calculate the payback period for each of the following projects and give your recommendation based on the payback period method. (6 Marks)

Period	Project A		Project B		Project C	
	Cost Rs	Benefit Rs	Cost Rs	Benefit Rs	Cost Rs	Benefit Rs
1	700	0	9000	0	14000	14000
2	700	0	9500	7000	11000	14500
3	700	700	6000	12000	7500	11500
4	700	700	1500	11000	8500	13000
5	700	1800	1000	5000	4000	12000
6	700	2600	500	5000	2000	12000

- iv. XYZ Company's cost of capital is 10% and considers the following project options for the next financial year.

Year	Project A Estimated cash flow (Rs)	Project B Estimated cash flow (Rs)	Project C Estimated cash flow (Rs)
0	-2000	-8,000	-50,000
1	-500	-8,000	15,000
2	1500	-8,000	15,000
3	2500	-8,000	15,000
4	2000	32,000	15,000

Calculate the Net Present Value (NPV) for each project and give your recommendations to the management of XYZ Company for project selection. (6 Marks)

07. The following information has been given pertaining to a Project.

Activity	Description	Preceding Activity	Time Duration (Days)
A	Project Appraisal	None	10
B	Approve structural designs	None	13
C	Start piling	A	29
D	Ordering supplies	A	9
E	Foundation	A	17
F	Construction	B	21
G	Interior designs	C,D,E,F	65
H	Landscaping	G	14
I	Electrical systems	G	7
J	Furnishing	H,I	8
K	Fittings	J	8
L	SOEs	J	4
M	Building service testing	J	5
N	Traffic testing	K,L	3
O	Testing operations	M	9
P	Occupation	N,O	12

- Develop the network diagram for the above project activities using the Activity on Node technique and calculate the minimum overall project completion time. (5 Marks)
- Calculate slack time for each activity and identify the critical path. (6 Marks)
- What is meant by critical path and why it is important to a project manager. (4 Marks)
- Differentiate project direct costs from indirect costs with appropriate examples. (5 Marks)

08.

- i. Explain the types of project risks with examples (5 Marks)
- ii. Discuss the steps of project risk management process (5 Marks)
- iii. Explain the options a project manager has to manage scope creep (5 Marks)
- iv. Explain the types of project terminations (5 Marks)

