

Uva Wellassa University
Faculty of Animal Science & Export Agriculture
BSc in Export Agriculture
Bachelor of Animal Science
BSc in Tea Technology and Value Addition
BSc in Palm and Latex Technology and Value Addition



End Semester Examination – February/March 2014
Year I Semester II

Economic Thinking in Agriculture (EAG 121-3/0)

Instructions

Answer **All** questions

No. of questions : Three (03)
No. of pages : Two (02)
Time : One hour (1 hr)
Total marks allocated : 40/100

Part III – Essay

1.
 - a. Briefly explain the factors affecting Market Demand of agricultural commodities
 - b. The demand function and supply function of potato in domestic market of Sri

Lanka were estimated as

$$Q = 88 + 40P$$

$$Q = 286 - 20P$$

where; Q = Quantity (Million tons), P = Price (Rs. Per Kg)

- i. Identify demand and supply functions (give reasons)
- ii. Sketch the demand and supply functions
- iii. Calculate equilibrium price and quantity in domestic potato market in Sri Lanka
- iv. Calculate consumer surplus and producer surplus at equilibrium price
- v. If the government imposes a maximum price of Rs.3.00 per kg, calculate domestic supply, demand and surplus/ deficit
- vi. What are the measures that can be taken to solve the problem of deficit/ surplus?

2. Briefly explain;
 - a. Law of diminishing marginal returns
 - b. Marginal rate of product transformation
 - c. Least cost combination
 - d. Income consumption curve
 - e. Degrees of price discrimination
3.
 - a. “Inflation cause value of money to fall and hence a rise in general price level”
 - i. Briefly explain Demand Pull Inflation.
 - ii. Is a high rate of inflation always bad for an economy? Explain your answer.
 - b. Distinguish between the short run and the long run aggregate supply curves.