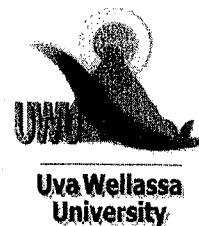


Uva Wellassa University
BSc in Export Agriculture
Bachelor of Animal Science
BSc in Tea Technology and Value Addition
BSc in Palm and Latex Technology and Value Addition



End Semester Examination – September / October 2013
Year I Semester II

Economic Thinking in Agriculture (EAG 121-3/0 EAG 221-3/0)



Instructions

Answer **All** questions

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

Index No:

Part III - Essay

Question 01

A market comprises of demand and supply.

- I. State the law of demand. (03 marks)
- II. Explain with aids of a diagram, the difference between a change in quantity demanded and a change in demand. (03 marks)
- III. With aids of diagram, explain the effect of a technological innovation on the supply of a given good, and also its effect on the market equilibrium. (04 marks)

Question 02

- I. "Consumer's intention is to maximize satisfaction". Explain this statement. (03 marks)
- II. "A student spends Rs. 20 per day for his tea and biscuits and teas to maximize his utility. Price of a cup of tea and a biscuit is Rs. 4 and 2, respectively. The following table provides data derived on this utility function.

Units	Total utility	
	Tea	Biscuit
1	12	10
2	22	15
3	30	19
4	36	21
5	40	23
6	41	25
7	39	26
8	34	26
9	26	25
10	16	23

- a. Calculate marginal utility for each good for each level of consumption. (04 marks)
- b. At the maximum utility level, find the number of units he consumes. (02 marks)
- c. If he can spend Rs. 32, how he allocates the budget to receive maximum satisfaction under the same prices of the goods? (03 marks)
- d. If the price of a biscuit is increased to Rs. 4, how does he receive maximum satisfaction under new budget? (03 marks)

Question 03

- I. Assume a consumption function $C = 100 + 0.8 Y$ and Investment $I = 50$
- a. Calculate the equilibrium income & saving at this equilibrium income. (03 marks)
- b. If $I = 100$, what would be the new equilibrium income & level of multiplier? (02 marks)
- II. What is the difference between demands - pull inflation and cost - push inflation? (04marks)
- III. Explain the four (04) main sources of unemployment. (06 marks)