

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



End Semester Examination July / August 2016
Year III Semester I

Tea Resource Economics (TEA 341 – 2)

Instructions

Answer **all** questions

No. of questions : Three (03)

No. of pages : Two (02)

Total marks allocated : 60 %

Time : One Hour (1hr)

PART II– ESSAY

1.
 - a. Briefly explain the factors that affect the valuation of a tea bush. (40 Marks)
 - b. Explain the two (02) approaches that can be used to estimate the value of tea as a perennial crop. (60 Marks)
2.
 - a. What is meant by project appraisal? (20 Marks)
 - b. Critically analyze the feasibility of tea replanting in up country estates using following details. You are required to calculate Benefit Cost Ratio and Net Present Value (NPV). (80 Marks)

Cost of replanting & maintenance (per ha)

Years	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th -20 th
Costs (Rs'000)	662	80	1021	323	234	612	699	499	571	677	873
Tea productivity (kg/ha/year)	1250	2000	2500	1300	1700	2300	3500	3000	2200	3000	3200

Discount rate –10% per year

Tea prices –Rs. 400 per kg

3.

- a. Distinguish between the followings:
- i. Marginal Revenue Product (MRP) and Value Marginal Product (VMP) of labor (20 Marks)
 - ii. Monopoly and Monopsony (20 Marks)
- b. Derive the equation for MRP curve of labor (10 Marks)
- c. Briefly explain what firms do when; (10 Marks)
- i. $MRP > MFC$
 - ii. $MRP < MFC$
- (MFC – Marginal Factor Cost)
- d. The following graph shows the Supply Curve (S) and the Marginal Factor Cost curve (MFC) of labor of monopsony. Briefly explain why MFC increases up to 11 when supply of labor is increased by one unit. (40 Marks)

