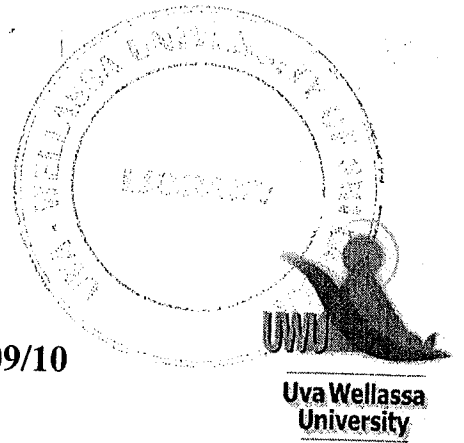


**Uva Wellassa University**  
**B.Sc in Export Agriculture**  
**Bachelor of Animal Science (B.ASc)**



**End Semester Examination – Dec/ Jan 2009/10**  
**Year II Semester I**

**Principles of Agricultural Economics (EAG 212-3/EAG 212-0)**  
**(Repeat)**

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**Instructions**

Answer five (5) questions selecting three (03) questions from part one (I) and two (02) questions from part two (II)

No. of questions : Seven (07)  
No. of pages : Three (03)  
Time : Three hours (3 hrs)  
Total marks allocated : 40/100

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**Part I**

1.
  - a. What is meant by **Demand**?
  - b. List four demand shifters
  - c.
    - i. Considering the following demand and supply functions of a commodity, find the equilibrium price and the quantity.  
 $P = 170 - 4.5q$  and  $P = 100 + 2.5q$ .
    - ii. Sketch the above functions in a graph.
  
2. Briefly explain
  - a. Property rights in economics
  - b. Stages of the production
  - c. The expansion path
  - d. Budget constraint

3.

- a. What are the differences between explicit and implicit costs? Why do economists bother with implicit costs?
- b. What are the differences between private and social costs? Illustrate your answer with cases of environmental pollution.
- c. What is meant by pure economic profit and how is it graphically shown?
- d. The total cost (C) curve of a paddy farmer is  $C = 5000 + 100q + 0.01q^2$  where  $q = \text{bushels of paddy}$ . If he can sell his output at the price of Rs. 500 per bushel, **Find;**
  - i. Fixed cost
  - ii. Variable cost
  - iii. Average cost
  - iv. Marginal cost
  - v. Marginal revenue
  - vi. Average revenue
  - vii. Profit maximizing output level
  - viii. If the government decided to purchase paddy at the rate of Rs. 600 per bushel what will be the production level of the farmer?

4.

- a. Define the term "Utility"
- b. "The consumer demand rests on the concept of utility". Explain this statement using an example.
- c. Show why, if the consumer is to be in equilibrium, the marginal rate of good X for good Y must equal the ratios of the price of good X to the price of good Y.
- d. A consumer's utility function is

$$U = 20xy$$

Where  $U$  is the consumer's utility (in utils)  $x$  is the amount of good  $x$  consumed per month, and  $y$  is the amount of good  $y$  consumed per month.

If the consumer consumes 5 units of good  $y$  per month, what is the marginal utility of good  $x$ ?

## Part II

5. Write short notes on the following
  - a. Unemployment
  - b. Inflation
  - c. Consumer Price Index
  - d. Problems of GDP measurements
  
6. Distinguish between the following
  - a. Long Run Aggregate Supply and Short Run Aggregate Supply
  - b. GDP and GNP
  - c. Potential Output and Actual Output
  - d. Transfer Payments and Taxes
  
7.
  - a. Discuss, using the IS-LM model, what happens to IR as prices change along a given AD schedule
  - b. Find simultaneous equilibrium income for goods and money market when

$$C = 100 + 0.80yd$$

$$I = 150 - 6i$$

$$G = 100$$

$$L = 0.20yd - 2i$$

$$M = 150$$