

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 & Latex Technology and Value Addition



End Semester Examination – January/ February 2016
Year I Semester II

Principles of Agricultural Economics (EAG 131-3)

Instructions

Answer All questions

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

Part III – ESSAY

1. Write short notes on the followings; use illustrations where necessary
 - a. Least cost combination (20 Marks)
 - b. Consumer's equilibrium (20 Marks)
 - c. Long run equilibrium of perfect competition (20 Marks)
 - d. Price consumption curve (20 Marks)
 - e. The law of diminishing returns (20 Marks)
2.
 - a. What is meant by law of supply? (20 Marks)
 - b. Briefly explain the factors affecting Market Supply of agricultural commodities (20 Marks)



- c. Market demand and market supply schedules for wheat appears in the following table

Price (\$ per bushel)	Q_d (million bushels per month)	Q_s (million bushels per month)
5	2.25	3.75
4	2.50	3.50
3	3.00	3.00
2	4.00	2.00
1	5.50	0.50

- i. What is the relationship of quantity demanded and quantity supplied at prices per bushel of \$5, \$4, \$3, \$2, and \$1? Is there a market surplus or shortage at these prices? (20 Marks)
- ii. What effect does a surplus of wheat have upon the price of wheat? (20 Marks)
- iii. What effect does a shortage of wheat have upon the price of wheat? (20 Marks)

3.

- a. Distinguish between the following;
 - i. Implicit cost and explicit cost (10 Marks)
 - ii. Private cost and social cost (10 Marks)
 - iii. Short run and long run (10 Marks)
- b. Mathematically prove the following;
 - i. the point of profit maximization of a firm is $MC = MR$ (10 Marks)
 - ii. slope of the MR curve is twice that of the demand curve of a monopolistic firm. (10 Marks)
 - iii. Slope of the budget line is equal to price ratio of two goods (10 Marks)
- c. "Producer's objective is to minimize the cost". Critically discuss this statement. (40 Marks)