



**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 – August / September 2014**  
**Year I Semester II**

**Economic Thinking in Agriculture EAG 121-3/0**

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**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:

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**Part III - Essay**

**Question 01**

Production involves the combination of fixed and variable inputs. It undergoes various stages of returns.

- I. Define the term 'production function' (03 marks)
- II. With aids of a diagram, explain the three (03) stages of production. (04 marks)
- III. Explain why a rational producer would always carry on production till end of second stage of its production function. (03 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 "Inflation cause value of money to fall and hence a rise in general price level"
- a. Briefly explain three dimensions of Cost Push Inflation. (06 marks)
- b. Is a high rate of inflation always bad for an economy? Explain your answer. (04 marks)
- II Distinguish between the short run and the long run aggregate supply curves. (05 marks)