

BSc in Tea Technology & Value Addition
Third Year First Semester Examination –June/ July 2017

Tea Resource Economics (TEA 341 – 2)
Section II – Essay Questions

Instructions:

Answer **all** questions in the given booklet.

No. of questions : Three (03)

No. of pages : Two (02)

Time : One (01) hour

Total marks allocated : 60%

1.

(I) Define “Cost Functions”. (10 marks)

(II) The following table gives the short-run and long-run total costs for various levels of output of An Agricultural Company.

Q	TC ₁	TC ₂
0	0	350
1	300	400
2	400	435
3	465	465
4	495	505
5	560	560
6	600	635
7	700	735

a) Which column, TC_1 or TC_2 , gives long-run total cost, and which gives short-run total cost? How do you know? (20 marks)

b) For each level of output, find short-run TFC , TVC , AFC , AVC , and MC . (35 marks)

- c) At what output level would the firm's short-run and long-run input mixes be the same? (3 marks)

(III) A firm's total cost function (where C is total cost in dollars and Q is quantity of output) is $C(Q) = 500 + 4.5Q + .01Q^2$. Find the following based on the given function (4 marks x 8 = 32 marks)

- a) Fixed cost
- b) Variable cost
- c) Average fixed cost
- d) Average total cost
- e) Average variable cost
- f) Marginal cost
- g) If the price of the product is 20 rupees, what is the profit maximizing output level? Assume that the firm is in a perfectly competitive market.
- h) What is the profit of the firm?

2. Write short notes on the followings; (25 marks x 4 = 100)
- a. Value marginal product and marginal revenue product
 - b. Least cost rule
 - c. Backward bending supply curve of labor
 - d. Elasticity of demand for labor

3. aaa

[End of the Section II]