



SLIATE

SRI LANKA INSTITUTE OF ADVANCED TECHNOLOGICAL EDUCATION

(Established in the Ministry of Higher Education, vide in Act No. 29 of 1995)

Higher National Diploma in Technology (Agriculture)

First Year, 1st Semester Examination – 2017 (New)

AG 1106: Agricultural Economics

Instructions for Candidates:

Answer part I & II, on the paper itself and will be collected after one hour.

Two hours for part III

No of pages : 07

No of Questions : 07

Time : Three (03) hours

Part-I

01. (Total 16 marks)

Select the correct answer and underline it on this paper itself

1. What is the meaning of “Agricultural Economics”?
 - a) The allocation of scare resources to satisfy the unlimited wants
 - b) The allocation of scare resources among production, processing, distribution and consumption of food
 - c) The production, distribution and consumption of good and services
 - d) The allocation of scare resources to earn maximum profit
2. What is the correct statement regarding the capital?
 - a) It is a natural resource
 - b) It is the physical and intellectual services of people
 - c) Things that used to produce other goods and services
 - d) All the above are correct.
3. What is the **incorrect** formula from the following?
 - a) $TU_x = \sum MU_x$
 - b) $MU = \Delta TU / \Delta Q$
 - c) $MRTS_{kl} = \Delta K / \Delta L$
 - d) $E_D = \frac{Q / \Delta Q}{P / \Delta P}$
4. What do you mean by the law of demand?
 - a) The relationship between income of consumer and quantity demand
 - b) The relationship between price and quantity demand
 - c) The relationship between price and quantity supply
 - d) The relationship between taste and preferences of consumer and quantity demand
5. What is the reason for shifting the demand curve into right?
 - a) Increase the consumer income
 - b) Increase the price of a complement product
 - c) Reduce the price of a substitute product
 - d) Increase the taxes on product

6. What are the characteristics of imperfect competition from the following?
- A – Long run economic profit is possible
 - B- Price may be greater than cost of production
 - C – Individual firms have ability to control price of commodity in an industry
 - D – No government rules and regulation
- a) A ,B, C, D
 - b) A, B,D only
 - c) A,B,C only
 - d) B,C,D only
7. Find the market structure that practices the price discrimination
- a) Monopoly
 - b) Perfect competition
 - c) Oligopoly
 - d) Monopolistic competition
8. Select the answer which government doesn't influence on price determination of goods in the market.
- a) Production Quotas
 - b) Price ceiling
 - c) Advertisement
 - d) Price floor
9. Characteristics of one of the factors of production are given bellow
- A – Perishable factor
 - B –Heterogeneous factor
 - C – Imperfect mobility
 - D – Active factor
- What is the factor of production that includes above characteristics?
- a) Capital
 - b) Land
 - c) Labour
 - d) Entrepreneurship
10. What is the correct statement on rational zone of production?
- a) Output increasing at a decreasing rate
 - b) Increasing return due to rapid increase in production
 - c) MP is positive and higher than AP
 - d) TPP curve has a negative slop

11. “The best alternative that we forgone or given up” is called
- Variable cost
 - Opportunity cost
 - Utility
 - Fixed cost
12. Select the correct place of the PPF curve that can use any combinations of products with a maximum efficiency.
- Inside the PPF curve
 - Outside the PPF curve
 - On the PPF curve
 - None of above
13. What is the correct formula representing for the average cost and marginal cost respectively?
- $\Delta TC/\Delta Q$, TC/Q
 - TC/Q , $\Delta TC/\Delta Q$
 - $\Delta TC/Q$, Q/TC
 - $\Delta Q/TC$, $\Delta Q/\Delta TC$
14. What is the meaning of competitive advantages in production?
- Specialize in specific activities to get more advantages
 - Minimum use of input to cut down the cost of production
 - Ability of a firm to perform better than its rivals
 - Heavy usage of advertisement to increase market share
15. What is the implicit cost from the following?
- Cost of paying electricity bill of the firm
 - Cost to pay land rent of the firm
 - Cost to pay wages for the labours
 - Cost of the owner’s own input used for the firm
16. What is the saturation point of consumption?
- MU maximum point
 - TU maximum point
 - TU zero point
 - TU and MU equal point

(16 marks)

Part-II

02. (Total 12 marks)

(i) What do you mean by the term “Market Structure”?

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(3 marks)

ii. Write three determinants of market structure.

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(3 marks)

iii. List out three characteristics of oligopoly market.

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(3 marks)

iv. Name three examples for oligopoly market structure in Sri Lanka.

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(3 marks)

03. (Total 12 marks)

i. What is the meaning of “market equilibrium?”

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(3 marks)

ii. What are the reasons for market disequilibrium?

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(3 marks)

iii. Graphically show the price ceiling situation in the market.

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(3 marks)

iv. Write three reasons for fluctuating prices of Agricultural commodities.

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(3 marks)

Part-III

4. (Total 15 marks)

- i. What do you mean by the term “Scarcity”. (04 marks)
- ii. Differentiate ‘free goods’ and ‘economics goods’. (05 marks)
- iii. Explain the law of diminishing marginal utility theory by using graphs. (06 marks)

5. (Total 15 marks)

- i. Define the term “Demand”. (04 marks)
- ii. Explain two factors that affect on the shifting of supply curve into the right. (04 marks)
- iii. Suppose that the demand function of a commodity is given by $Q_d = 6000 - 1000P$, where Q_d stand for the market quantity demanded of the commodity per time period and P for the price of the commodity.
 - a. Derive the market demand schedule for this commodity with minimum five price level. (05 marks)
 - b. Draw the market demand curve for this commodity. (02 marks)

6. (Total 15 marks)

- i. Differentiate the ‘input’ and ‘output’ in Agricultural production process. (03 marks)
- ii. Why stage 1 and stage 111 are irrational in production process. (06 marks)
- iii. Following data show the relationship between input and output in an imaginary production process.

Input	Output
0	0
1	2
2	5
3	9
4	12
5	14
6	15
7	15
8	14

Find the marginal product and average product for the above data. (6 marks)

7. (Total 15 marks)

Write short notes on the following with the help of relevant graphs

- i. Economies and diseconomies of scale. (05 marks)
- ii. Production Possibility Frontier (PPF). (05 marks)
- iii. Level of elasticity in a linear demand curve. (05 marks)