EASTERN UNIVERSITY, SRI LANKA

FIRST YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE

NOV/DEC – 2013 (REPEAT)

EC 1101: PRINCIPLES OF AGRICULTURAL ECONOMICS

ANSWER ALL QUESTIONS

TIME ALLOWED: 2 HOURS

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i) What do you mean by "**Price Elasticity of Demand**"?

ii) Calculate the Price Elasticity of Demand for the given changes below and **interpret** that value.

| Price(Rs) | Quantity Demanded |
|---|---|
| 9 | 150 |
| 10 | 110 |

) What do you mean by "**Market Equilibrium**"?

ii) The weekly market demand and supply schedules for eggs is given below. Find the equilibrium price and the quantity.

| **Price per unit (Rs)** | **8** | **7** | **6** | **5** | **4** | **3** | **2** | **1** |
|---|---|---|---|---|---|---|---|---|
| Demand (000s) | 6 | 8 | 10 | 12 | 14 | 16 | 18 | 20 |
| Supply (000s) | 18 | 16 | 14 | 12 | 10 | 8 | 6 | 4 |

Write Short Notes on the following

a) **Micro** vs **Macro Economics**

b) Basic characteristics of a **Competitive Market**

c) **Opportunity Cost**

a) What do you mean by "**Consumer Equilibrium**"?

b) A person receives income of Rs 2000. He spends that to buy rice and meat. If the price of rice is Rs 50/kg and price of meat is Rs 400/kg, draw his **Budget Constraint**?

c) In the given table below find out the **Marginal Utilities** and **Saturation Point**?

| Number of buns | Total utility | Marginal utility |
|---|---|---|
| 0 | 0 | ---- |
| 1 | 10 | ---- |
| 2 | 18 | ---- |
| 3 | 24 | ---- |
| 4 | 28 | ---- |
| 5 | 30 | ---- |
| 6 | 30 | ---- |
| 7 | 28 | ---- |

**04)**

**a)** Define the following cost terms:

i. Total Cost.

ii. Fixed Cost.

iii. Variable Cost.

**c)** Copy the following table in your answer sheet and fill in the blanks for the different costs shown.

| Out put | Fixed Cost (FC) | Variable Cost (VC) | Total Cost(TC) | Marginal Cost(MC) | Average Fixed Cost (AFC) | Average Variable Cost (AVC) | Average Cost (AC) |
|---|---|---|---|---|---|---|---|
| 0 | 48 | 0 | | | | | |
| 1 | 48 | 25 | | | | | |
| 2 | 48 | 46 | | | | | |
| 3 | 48 | 66 | | | | | |
| 4 | 48 | 82 | | | | | |
| 5 | 48 | 100 | | | | | |
| 6 | 48 | 120 | | | | | |
| 7 | 48 | 141 | | | | | |
| 8 | 48 | 168 | | | | | |
| 9 | 48 | 198 | | | | | |
| 10 | 48 | 230 | | | | | |
| 11 | 48 | 272 | | | | | |
| 12 | 48 | 321 | | | | | |