

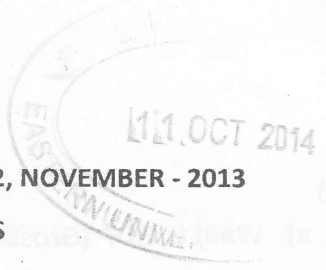
EASTERN UNIVERSITY, SRI LANKA

FIRST YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE 2011/2012, NOVEMBER - 2013

EC 1101: PRINCIPLES OF AGRICULTURAL ECONOMICS

ANSWER ALL QUESTIONS

TIME ALLOWED: 2 HOURS



- a) Illustrate **Consumer Equilibrium** and write down the conditions for **Consumer Equilibrium**.
- b) i) Rani has an income of Rs 600. She wants to buy carrot and potatoes. The price of carrots is Rs. 100/kg and the price of potatoes is Rs. 50/kg. Draw her **Budget Constraint** and identify her **Consumer Equilibrium point**.
- ii) Due to the introduction of a new improved variety of potatoe, the unit price of potatoe falls through Rs 40, 30, 25 and 10 per kg. Draw her **Budget Constraints** according to each level in price changes and find the new **Consumer Equilibrium points**.
- iii) Sketch the **Individual Demand Curve** for potatoes at **Consumer Equilibrium point**.
- iv) There are 100 identical consumers in the market, sketch the **Market Demand curve** at **Consumer Equilibrium**.

(30 marks)

Write down SHORT NOTES on the followings:

- a) Marginal analysis.
- b) Price Elasticity of Demand and Total Revenue.
- c) Typical production and resource use.

(30 marks)

03)

- a) What is **GDP (Gross Domestic Product)**?
- b) How can you measure GDP using the **Expenditure Approach**?
- c) A farmer produced corn and soybeans from his available land. The production combination is shown below in the Table. If the **price of corn is Rs 2.5 per kg** and the **price of soybeans is Rs 3 per kg**. Find the extent of land used and production on levels of corn and soybean. Show all calculations.

Corn acreage	Soybean acreage	Corn output (In kg)	Soybean output (In kg)
0	10000	0	2500
1000	9000	950	2475
2000	8000	1800	2400
3000	7000	2550	2275
4000	6000	3200	2100
5000	5000	3750	1875
6000	4000	4200	1600
7000	3000	4550	1275
8000	2000	4800	900
9000	1000	4950	475
10000	0	5000	0

(30 marks)

04)

- a) What do you understand by "**Consumer Price Index**"?
- b) How "**Real Income**" is differs from "**Nominal Income**"?
- c) Define the characteristics of an "**Oligopoly Market**"?
- d) Explain the **injections into the Circular Flow of Income Model**?

(40 marks)