

EASTERN UNIVERSITY, SRI LANKA
SECOND YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE- 2015
EXTERNAL DEGREE
AEC 2101: FARM MANAGEMENT ECONOMICS
REPEAT EXAMINATION

Answer All questions

Time: 3 Hours

1.
 - a. Briefly explain the steps involved in farm planning.
 - b. List the importance of keeping farm records.
 - c. Differentiate between an Agricultural economy and an Industrial economy

2.
 - a. What are the sources of risks in agricultural production?
 - b. List the tools for production risk reduction and explain how these tools could be used to reduce risks.

3.
 - a. Define the term "Depreciation" and briefly discuss the causes of depreciation.
 - b. Assume that a new machine is purchased on January 1st for Rs.200, 000 and given a salvage value of Rs. 25,000 at 20 years useful life.
What would be the total depreciation after a 4 year period under each depreciation method given below?
 - i. Straight- Line method., and
 - ii. Sum- of-the Year Digit method.

4.
 - a) Briefly explain the steps involved in preparing a Crop Enterprise Budget.

 - b) Explain the uses of a Partial Budget and illustrate the format of a Partial Budget.

5. A farm manager has to select the amount of water to apply to one hectare of maize. Fill the following table and determine the profit maximizing irrigation level for maize production.

(Water at Rs 3.00 per ha- cm and market price of maize at Rs 2.50 per kg)

Irrigation water (ha- cm)	Maize yield per ha (kg)	Marginal Physical Product (MPP)	Marginal Value Product (MVP)	Marginal Input Cost (MIC)	Marginal Revenue (MR)	Marginal Cost (MC)
10	104.0					
12	116.8					
14	128.6					
16	138.2					
18	144.8					
20	149.0					
22	151.8					
24	153.6					
26	154.2					

6. Write **Short Notes** on the following.

- a. Forming expectations about future events
 - b. Objectives of Farm Management
 - c. Assumptions in Linear Programming (LP)
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