

## EC 1101 – PRINCIPLES OF AGRICULTURAL ECONOMICS

Answer ALL questions.

Time allowed: 2 hours



01) a) Define Microeconomics?

b) The following table shows the bundle of production (chairs & beds) possible using a given level of wood.

Bundle	A	B	C	D	E	F	G	H	I	J	K
Chairs	0	1	2	3	4	5	6	7	8	9	10
Beds	450	445	425	437	410	390	360	320	270	200	0

- Graph the bundles of production.
- Identify the 'Opportunity Costs' along the curve.
- Interpret the curve in your own words

02) a) Define 'Consumer Equilibrium'.

b) Graphically illustrate the consumer equilibrium for the following situation.

Income = Rs. 200

Utility  $U = U(X_1, X_2) = X$  Utils

Unit Price of  $X_1$  = Rs. 40

Unit Price of  $X_2$  = Rs. 20

c) If the unit price of  $X_1$  increases by Rs. 10, Sketch the new equilibrium of the given consumer.

03) Write **Short Notes** about the following:

- Market types and price determination
- Different '**Stages of Production**'
- Equilibrium National Income and Output

04) The **Total Revenue** and the **Total Cost** schedule of a local firm producing pumps are given below.

Quantity of pumps	1	2	3	4	5	6	7	8	9	10
Total Revenue	1500	3000	4500	6000	7500	9000	10500	12000	13500	15000
Total Cost	1000	2200	2500	3900	5300	6800	8500	10500	12700	15000

- Rationalize and explain this firm's production decision (show all the calculation work you have done).
- A country's individual sector's demand for the year 2008 is given as follows;

Total Government expenditure: Rs.10,000 billion, personal consumption expenditure: Rs.20,000 billion, value of the total exports: Rs.5,500 billion dollars, value of the total imports: Rs.6,500 billion, the value of the spending by business firms on fixed capital construction: Rs.3,500 billion.

What is value of the **Aggregate Demand** for the year 2008?

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