

EASTERN UNIVERSITY, SRI LANKA.

SECOND YEAR FIRST SEMESTER EXAMINATIONS IN AGRICULTURE

2004/ 2005

AEC 2101: FARM MANAGEMENT ECONOMICS

Time Allowed: 03 Hours

Answer all the Questions

1. a. Graphically illustrate the neoclassical three stages production function.

b. State the properties of Isoquant.

c. Given the Production function:

$$Y = X^2 - 1/30 X^3$$

Where Y= Output and X= Input

Assume price of X (P x) = Rs. 100.00 and price of Y (P y) = Rs. 30.00, find out the profit maximizing input. (15 marks)

2. a. What do you meant by Linear Programming and state reasons for studying Linear programming.

b. Briefly discuss the assumptions of Linear programming.

c. A farmer has 4 hac of land and 375 human labour days available with him. He is planning to grow two crops- maize and soybean and he cannot grow maize in more than 2 hac, due to the physical condition of the soil.

The following information is available from experimental farms with regard to the resource requirements per unit of crop land and net income per hac.

Resource	Resource requirement/ hac	
	Soybean	Maize
Land (in hac)	1	1
Labour days	100	112
Net income (in Rs)	200	400

Find out the maximum net income from these two crops

(15 marks)

3. a. What are the steps involved in preparing Enterprise Budget?

b. How would you interpret and analyze an Enterprise Budget?

c. What is Partial Budget and state the steps involved in preparing a Partial Budget.

(15 marks)

4. a. What are the sources of Risks involved in Agriculture and briefly discuss three of them?

b. Give the marketing risk tools and explain how these different strategies could be used to reduce marketing risks.

c. "If a farm manager faced with a problem involving risk, he has to choose the appropriate strategy by using a number of decision rules". Briefly discuss this statement.

(15 marks)

5. Write short notes on the following.

- a. Production risk tools
- b. Financial records
- c. Importance of taking inventory
- d. Non- current Assets

(20 marks)

6. a. Discuss briefly the importances of keeping farm records.

b. Differentiate the Agricultural Economy from the Industrial Economy.

c. What do you meant by the term "Depreciation", and state the causes of depreciation.

d. A new tractor is purchased on January 1st for Rs. 400,000.00 with the useful life of 10 years, and the salvage value of Rs. 50,000.00. What would be the annual depreciation for the first four years under each depreciation methods given below:

- i. Straight line method
- ii. Sum- of- the – Year's digits method
- iii. Double declining balance method

(20 marks)

GOOD LUCK