

EASTERN UNIVERSITY, SRI LANKA
 FIRST YEAR/ FIRST SEMESTER EXAMINATION IN AGRICULTURE- 2006/2007
 EXTERNAL DEGREE
 AEC 1101: INTRODUCTORY MICRO ECONOMICS
 Answer all questions
 Time allowed: 2 Hours

Name: -----

Index number: -----

- 01)
- a) What are the characteristics of resources?
- b) Define the term **Scarcity** in economic point of view
- c) What is meant PPC (production possibility curve)? What can be concluded about an economy which is
- i) operating on its PPC
 ii) operating inside the PPC

d) Sketch the curve for unitary elastic condition

e) Interpret the following elasticity conditions:

Own price elasticity of rice: -0.86

Cross price elasticity of chicken and beef: 0.345

Income elasticity of rice: 0.153

(25 marks)

02)

a) Rani has a weekly income of Rs 350/= which she allocates between bread and carrot. Suppose bread (b) cost Rs 25 per Kg and carrot (c) cost Rs 50 per Kg.

(i) Draw her budget constraint?

(ii) An import restriction of wheat raises the price of bread to Rs 50 per Kg. What does his budget constraint look like now?

b) The marginal utility schedules for two goods are given in the following table. Assume that the price of X equal price of Y equal Rs 1. How much of X and Y would Raja buy if he had 7/= to spend?

Q	1	2	3	4	5	6	7	8	9
MUA	9	8	7	6	5	4	3	2	1
MUB	19	17	15	13	11	9	7	5	3

c) Utility function for a commodity X is given by $U = 11x - x^2$. Find out the quantity of commodity that he will buy at his saturation point

d) Define an indifference curve? Explain its properties related to consumer satisfaction

(25 marks)

03)

a) Define production function

b)

i) Graphically show the different types of product curves and stages of production

iii) Define the rational stage of production

c) Using the table given below answer the following:

Land	2	2	2	2	2	2	2	2	2	2
Fertilizer	1	2	3	4	5	6	7	8	9	10
Yield (Kg)	20	50	90	120	140	150	150	140	120	90

i) Calculate the average and marginal product of fertilizer

ii) If the output price is Rs 50 /kg and the fertilizer price is Rs 1000/kg and the rent for a unit land is Rs 1500. Find out the optimal level of fertilizer usage

(25 marks)

04)

a) Graphically show the different types of short run cost curves:

b) The total short run cost function of a firm is given by $C = 190 + 53Y$ where Y is the output, C = total cost
Identify firm's fixed cost, average fixed cost, average variable cost, and marginal cost from the above function.

c) Explain how the long run cost curves are related to economies of scale?

d) Fill in the missing values to complete the following table:

	TFC	TVC	TC	AFC	AVC	AC	MC
0			30				
1							10
2						24	
3		24					
4			62				
5					10		
6						17	

(25 marks)