EASTERN UNIVERSITY, SRI LANKA

FIRST YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE – 2014/2015

(Sep/2016)

EC 1101 – PRINCIPLES OF AGRICULTURAL ECONOMICS

Time allowed: 2 hours

Answer ALL questions

01) a) Explain the following:

i) Demand curve

ii) Shift in demand curve

b) The individual demand and individual supply schedule of coconut is shown in the table below. There are 1000 identical consumers and 1000 identical suppliers in the market. Due to the change in pod quality demand increased by 4000 units at each price level. Due to the introduction of new technology supply increased by 8000 units at each price level. Answer the questions below based on the above information (copy the table in your answer sheet):

Price per unit (Rs.)	**8**	**7**	**6**	**5**	**4**	**3**	**2**	**1**
Demand	6	8	10	12	14	16	18	20
Supply	18	16	14	12	10	8	6	4

(i) What is the **initial market equilibrium**?

(ii) What is the **market equilibrium** after the change in pod quality when supply remains unchanged?

(iii) What is the **final market equilibrium** after the introduction of new technology?

(iv) Initially at the market price of 3, what is the **excess demand** in the market?

(v) Initially at the market price of 8, what is the **excess supply** in the market?

c) i) List the determinants of **Price Elasticity of Demand**:

ii) Explain the effect of any two of the determinants of **Price Elasticity of Demand**:

d) i) When the price of commodity X falls from Rs. 10 to Rs. 9 the quantity demanded of it rises from 50 to 60. Calculate the **Price Elasticity of Demand** of given situation using mid-point formula method:

ii) Comment on the value of the above price elasticity of demand and predict what type of commodity is X:

iii) Calculate the change in the **Total Revenue**:

02) a) Rani has an income of Rs. 100. She wants to purchase coffee and buns. The unit price of c
Rs. 10 and unit price of a bun is Rs. 20. **Illustrate** her consumer equilibrium:

b) i) Define the term "**price effect**" in consumer equilibrium:

ii) If the price of bun falls to Rs. 10 and Rs. 5, sketch her **new consumer equilibrium**:

iii)Draw her **individual demand curve** at her **different consumer equilibrium**:

c) i) Define the term "**income effect**" in consumer equilibrium:

ii) If Rani's income was increased to Rs. 120, 160 and 200. Sketch her consumer equilibrium a

different income levels:

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

a) Real and Nominal GDP

b) Economics of input substitution

c) Circular Flow Income model, including all sectors in an economy

04) a) Define the following:

i) Final goods

ii) National Income

b) Calculate the value of Gross Domestic Product (GDP) using expenditure approach for the foll
data given below:

Item	**Amount in 2005 (billions of Rs.)**
Consumption Expenditure	8668
Investment	2054
Government Expenditure	2338
Net Exports	-687

c) The table above gives the total revenue and total cost of a firm producing chocolates.
the table in your answer sheet and calculate the **Marginal Revenue** and **Marginal Co**
find out where **Economic efficiency** is achieved:

Quantity (units of chocolate)	**Total Revenue (Rs.)**	**Total Cost (Rs.)**
1	15	13
2	30	24
3	45	39
4	60	58
5	75	81