EASTERN UNIVERSITY, SRI LANKA

SECOND YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE- 2008

AEC 2101: FARM MANAGEMENT ECONOMICS (REPEAT)

Time allowed: 03 Hours

Answer All the questions

1. a. Briefly explain the steps in farm planning.

   b. Outline the factors to be considered when constructing a livestock enterprise budget.

   c. How would you interpret and analyze an Enterprise budget?

2. a. Graphically illustrate the neo-classical three stages of the production function

   b. Explain the properties of the Iso revenue line.

   c. There are two inputs X_1 and X_2 and one output Y as related by the production function shown below.

   $$Y = X_1 X_2 - 0.1 X_1^2 - 0.4 X_2^2$$

      i.   If the input X_2 is fixed at 5, find the value of X_1 for maximum Y

      ii.   Find the level of X_1 when AP= 0

3. a. What do you understand by the term "Investment Analysis" and briefly explain any 3 methods of analyzing and comparing investments?

   b. Find the most profitable investment by using the Net Present Value (NPV) method using the information given below for investments A and B.

(Contd. ___)

| | Investment A | | Investment B |
Year	Net cash flow (Rs. , 000)		Net cash flow(Rs, 000)
1	3000		1000
2	3000		2000
3	3000		3000
4	3000		4000
5	3000		6000

4. a. Differentiate the Agricultural economy from an Industrial economy

   b. List the importance of keeping farm records.

   c. Prepare the typical Monthly Livestock Inventory

5. Write Short Notes on the following.

   a. Forming expectations about future events

   b. Objectives of Farm Management

   c. Assumptions in Linear Programming (LP)

6. a. What are the sources of risks and briefly discuss three of them.

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

GOOD LUCK