

Study Programme : Bachelor of Industrial studies Honours in Agriculture  
 Name of the Examination : Final Examination  
 Course Code and Title : AEM4234/AGM4234/AGM4534  
 Agricultural Economics and Management  
 Academic Year : 2019/20

**SECTION II: Answer only four (04) questions.**

1.

- i. What is meant by the term Gross Domestic Product (GDP)? (10 marks)
- ii. Write down the formula to calculate the GDP and name the components? (5 marks)
- iii. What are the advantages of using GDP as a macroeconomic indicator? (2 marks)
- iv. Briefly discuss the disadvantages of measuring economic development using the GDP? (8 marks)

2. The following table provides information about the production possibilities frontier of a Farmer in Nuwara Eliya District who is producing Potato and Carrot.

Potato (kg)	Carrot (kg)
0	500
100	450
200	390
300	300
400	170
500	0

- i. Draw the farmers' production possibility frontier
  - ii. If the farmer is operating at 300 kg of potato and 300kg of carrot
    - a. What is the opportunity cost of producing additional 100kg of potato?
    - b. What is the opportunity cost of producing additional 90kg of carrot?
  - iii. Suppose the farmer is currently producing 200 kg of potato and 300 kg of carrot.
    - a. Is the farmer efficiently producing potato and carrot?
    - b. How many additional kg of potato could the farmer produce without giving up any carrot?
    - c. How many additional kg of carrot could the farmer produce without giving up any potato?
3. Briefly discuss three (03) of the following agricultural policies in relation to sustainable agriculture. (25 marks)
- i. Investment on organic fertilizer production
  - ii. Fertilizer subsidy
  - iii. Import tax on erosive crops (e.g. potato)

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iv. Ban on Glyphosate and food security

4.

- i. a. What are the six (06) functions of farm management? (3 marks)
- b. Briefly explain three (03) of the above functions. (3 marks each)

5. Suppose a farmer wanted to cultivate one hectare of Banana and she spent Rs. 80,000 to establish banana plants in the field (labor + machinery + planting material). She will have to spend Rs 10,000 annually as O&M costs from the second year and gross benefits from selling banana have been calculated as Rs. 5,000.00, 10,000.00, 25,000.00, 40,000.00, 40,000.00 and 35,000.00 respectively. Suppose the project ends in six years.

- i. Develop the cost stream, benefit stream and net cash flow stream (5 marks)
- ii. Calculate B/C ratio, NPV (assume a 10% discount rate) (10 marks)
- iii. Describe how the IRR can be calculated (5 marks)
- iv. Comment on your results (5 marks)

6. Write short notes on five (5) of the following topics (25 marks)

- i. Partial budgeting
- ii. Cyclical unemployment
- iii. Structural unemployment
- iv. Producer surplus and consumer surplus
- v. Inflation
- vi. Positive economics and normative economics