



Study Programme: Bachelor of Industrial Studies Honours (Agriculture)
Name of the Examination: Final Examination
Course Code and Title : AGM3354 Principles of Economics
Academic Year : 2020/2021
Date: 15.02.2022
Time: 14.00 to 17.00hrs
Duration: 3 hours

SECTION II: Answer any four (04) Questions

1.
 - i. What is understood by the term GDP? (10 marks)
 - ii. What are the components of GDP? (5 marks)
 - iii. What are the advantages of using GDP as a macroeconomic indicator? (2 marks)
 - iv. Briefly discuss shortcomings of measuring economic development using the GDP? (8 marks)
2. Briefly discuss five (05) of the following topics (5 marks each)
 - i. The procedure of economic analysis
 - ii. Opportunity cost in consumption, production and investment.
 - iii. Implicit cost and explicit cost
 - iv. Production possibility frontier
 - v. Risk and uncertainty
 - vi. Cyclical unemployment and frictional unemployment
 - vii. Fertilizer subsidy
 - viii. Investments on organic-fertilizer
3. Consider the following scenario. The elected officials in the Western Provincial council are concerned about the high rents being charged to university students. The town council is expecting to impose a rent ceiling of Rs. 2000 per month per student on rooms in the city. The demand and supply curves for rooms have been estimated as:
 $QD = 12,500 - 4P$ $QS = 250 + 2P$, where P = monthly rent, and Q = number of rooms available for rent.
For purposes of this analysis, the rooms can be treated as identical.
 - i. Calculate the equilibrium price and quantity that would prevail without the price ceiling. (5 marks)
 - ii. Calculate producer and consumer surplus at this equilibrium. (5 marks)
 - iii. Sketch a diagram to illustrate both consumer surplus and producer surplus. (5 marks)
 - iv. What quantity will eventually be available if the rent ceiling is imposed? (5 marks)
 - v. Graphically illustrate the new producer surplus and consumer surplus with the price ceiling. (5 marks)
4.
 - a. Describe why a government need to impose an efficient tax system. (5 marks)
 - b. What do you understand by “dead weight loss”? (5 marks)
 - c. Using graphical illustrations describe how tax could make an inefficient market. (5 marks)
 - d. “It doesn't matter to whom the tax is levied on, the burden is shared by both producers and consumers”. Elaborate the statement using graphical illustrations. (5 marks)

- e. Using graphical illustrations describe how the burden of taxes is shared between producer and consumer of a good. (5 marks)
- 5.
- What do you understand by the term "Utility" (5 marks)
 - Differentiate between cardinal utility and ordinal utility. (5 marks)
 - Briefly explain 'equi-marginal utility'? (5 marks)
 - Prices of goods A, B, and C are Rs. 1, 2, and 3 per unit respectively and total utility of the goods are given in the table below. Calculate the equilibrium quantities of each good. (10 marks)

Quantity	Total Utility		
	Good A	Good B	Good C
1	30	13	60
2	50	24	100
3	75	35	140
4	90	56	170
5	100	60	190

6. Write an essay on "Economic impacts of COVID-19 pandemic" using the basic knowledge on macroeconomics principles (25 marks)