The Open University of Sri Lanka
Faculty of Engineering Technology
Department of Agricultural & Plantation Engineering

Study Programme: Bachelor of Industrial Studies Honours in Agriculture
Bachelor of Technology Honours in Agriculture.

Name of the Examination : **Final Examination**
Course Code and Title : **AGM5475 Agricultural Economics & Management**
Academic Year : **2024/25**

Date : **26th January 2026**
Time : **9.30-12.30hrs**
Duration : **3 hours**

General Instructions:

1. This is a Closed Book Test.
2. This question paper consists of **six (06)** questions in **five (06)** pages.
3. **Answer five (05) questions including question No 01.**
4. **Question No. 01 contains 10 structured questions. Answer these questions in the space provided and attach to the answer booklet.**
5. Read all the questions carefully before answering.
6. Answer each question on a new page in the answer book.
7. Write your answers clearly and legibly.
8. Do not use red colour pens.

In case of doubt, please consult the supervisor or an invigilator in the examination hall.

Index number ....

Question No 1.

Answer all 10 structured questions in the space provided. (2x10= 20 marks)

1. What do you understand by the term "**Market Failure**"?

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2. Define total product (TP), average product (AP), and marginal product (MP).

TP : ---

AP : ---

MP :---

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3. Explain the shapes of the following short-run cost curves:

Resource	Payment Method
Total Fixed Cost (TFC)	
Total Variable Cost (TVC)	
Total Cost (TC)	

4. Illustrate the circular flow of income in a **two-sector economy** using a schematic diagram.

5. Name **two (02)** main objectives of agricultural policies in Sri Lanka.

   a. --

   b. --

6. Define **excludable** and **non-excludable** goods, giving one example of each.

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7. Outline **three (03)** policies that can be implemented to reduce structural unemployment.

   a. --

   b. --

   c. --

8. Define **discounting** in economics and explain why it is used in evaluating future costs and benefits.

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9. A project promises a payment of Rs. 10,000 one year from now. If the discount rate is 10%, calculate its **present value**.

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10. Explain the difference between revealed preference and stated preference methods in environmental valuation.

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Choose any four (04) questions from the following and provide your answers in the answer book.

Question No. 2

a. Briefly discuss the economic costs of environmental pollution (**5 marks**)
b. What are the **three** (03) main approaches to controlling the environmental pollution? (**5 marks**)
c. Discuss **two (02)** of the approaches in brief. (**10 marks**)

Question No. 3

Select **two (02)** of the following agricultural policies and discuss their impact on the economy. (**10 marks each**)

a. Main challenges faced by onion farmers in Sri Lanka
b. Fertilizer subsidy
c. Import tax on potatoes
d. Government-imposed price floor for rice

Question No. 4

a. What are the **six (06)** functions of farm management? (**2 marks**)
b. Briefly explain **three (03)** of the above functions. (**3 marks each**)
c. Briefly explain the **"Farm Household System". (3 marks)**
d. Identify the performance criteria for evaluating a farming system. (**3 marks**)
e. Briefly explain **three (03)** of the above criteria (**9 marks each**).

Question No. 5

A farmer intends to cultivate one hectare of onion and has invested **10 million rupees** to establish banana plants in the field (land preparation + machinery + planting material + fertilizer + labour). The farmer will have to spend **Rs 150,000** annually as operation and maintenance costs. Suppose the project will end in **five (05) years** and the expected yields in kilograms from are provided below.

Year 1	Year 2	Year 3	Year 4	Year 5
10,000	12,000	14,000	15,000	15,000

Assume the average selling price of onions is **Rs. 100/kg**;

a. Develop the cost stream, benefit stream and net cash flow stream (**5 marks**)
b. Calculate benefit-Cost (B/C) ratio and, Net Present Value (NPV) (assume a **12%** discount rate) (**10 marks**)
c. Describe how the Internal Rate of Return (IRR) can be calculated (**3 marks**)
d. Comment on your results (**2 marks**)

Question No. 6

Write short notes on the following topics (**4 marks each**)

a. Total Economic Value of Resources
b. Maximum sustainable yield
c. Law of diminishing return
d. Risk neutral, aversion and seeking behaviour of individuals
e. Microfinancing and Microfinancing Institutions