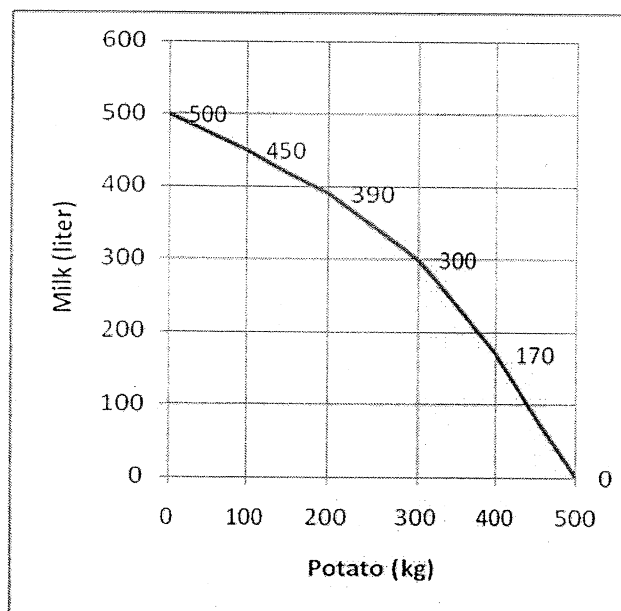




The Open University of Sri Lanka  
 Faculty of Engineering Technology  
 Degree in Technology & Industrial Studies (Agriculture)  
 Final Examination- 2015  
 AEM 4234 Agricultural Economics & Management.

SECTION II - Answer only four (04) questions

1.
  - i. Write down the equation for calculating GDP in a country (5 marks)
  - ii. Briefly discuss each component in the above equation in calculating GDP. (10 marks)
  - iii. Briefly describe the shortcomings of the above method of calculating GDP. (10 marks)
  
2. The following illustration shows you the production possibilities of Milk and Potato by a Nuwara Eliya farmer.



- (i) Name the above graph (2 marks)
- (ii) Briefly explain three (03) major characteristics of the above illustration? (5 marks)

- (iii) If the farmer is operating at 300 kg of potato and 300 liters of milk
- What is the approximate opportunity cost of producing additional 100 kg of potato? (3 marks)
  - What is the approximate opportunity cost of producing additional 90 liters of milk? (3 marks)
- (iv) Suppose the farmer is currently producing 200 kg of potato and 300 liters of milk.
- Is the farmer efficiently producing potato and milk? (2 marks)
  - Approximately how many additional kg of potato could the farmer produce without giving up any milk? (5 marks)
  - Approximately how many additional liters of milk could the farmer produce without giving up any potato? (5 marks)
3. Briefly explain the importance of **two (02)** of the following in relation to sustainable agriculture. (12.5 marks each)
- Fertilizer subsidy and food security
  - Import tariffs and agricultural production
  - Ceiling price and food security
4. (i) a. What are the six (06) functions of farm management? (3 marks)
- b. Briefly discuss **three (03)** of the above functions. (3 marks each)
- (ii) a. What are the functions of human resources management? (4 marks)
- b. Briefly discuss the importance of **three (03)** of these functions in relation to an agricultural enterprise. (3 marks each)
- 5.
- What are the main characteristics of a project? (4 marks)
  - What is discount rate and why discount rate is important in project analysis? (5 marks)
  - What are the parameters you would use to evaluate a project and how would you use these parameters to accept or reject the project? (10 marks)
  - Graphically show the relationship between the discount rate and the net present value of a project, and how would you determine the Internal Rate of Return. (6 marks)

6. Write short notes on **four (04)** of the following topics (25 marks)
- (i) Liquidity and solvency
  - (ii) Producer surplus and consumer surplus
  - (iii) Frictional unemployment
  - (iv) Monopoly and Market failure
  - (v) Positive economics and normative economics
  - (vi) Fiscal policies and monetary policies