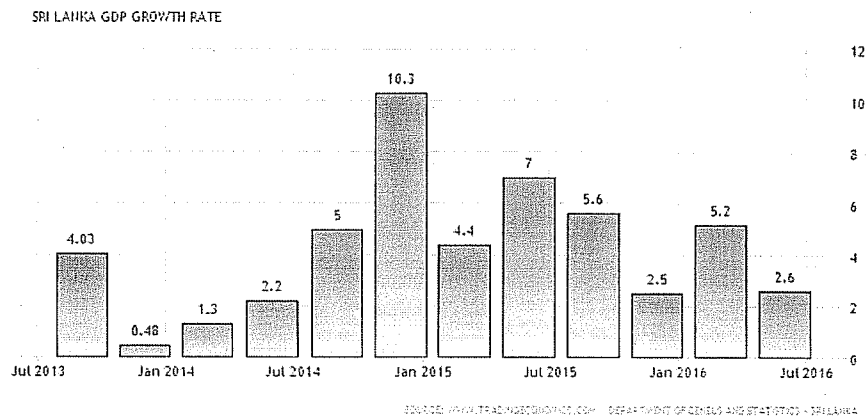




The Open University of Sri Lanka  
 Faculty of Engineering Technology  
 Degree in Technology & Industrial Studies (Agriculture)  
 Final Examination- 2016  
 AEM 4234 Agricultural Economics & Management.

SECTION II - Answer **only four (04)** questions

1.



The above graph shows the GDP growth rate of Sri Lanka over the years as published by the Department of Census and Statistics.

- i. What is GDP? (8 marks)
  - ii. Describe the above graph in relation to the GDP growth rate. (5 marks)
  - iii. Discuss how GDP growth rate is computed considering the different components contributing to the calculation of GDP. (12 marks)
2. Briefly explain the importance of **three (03)** of the following in relation to sustainable agriculture. (25 marks)
- i. Investment on organic fertilizer production
  - ii. Import tariffs and agricultural production
  - iii. Ceiling price and food security
  - iv. Banning of glyphosate usage

- 3.
- 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)
  - ii.
    - a. What are the functions of human resources management? (4 marks)
    - b. Briefly explain the importance of **three (03)** of these functions in relation to an agricultural enterprise. (3 marks each)
4. Suppose a farmer wanted to cultivate five hectare of corn and you were asked to study the feasibility of the project.
- (i) What types of analyses you would do? (3 marks)
  - (ii) List down the information you need to carry out the above analysis (5 marks)
  - (iii) What are the parameters you would use to evaluate the project and how would you use these parameters to accept or reject the project? (6 marks)
  - (iv) Briefly discuss the importance of selecting a correct discount rate in the analysis (5 marks)
  - (v) 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)
5. The following table provides information about the production possibilities frontier of a farmer in Nuwara Eliya district who is producing Milk and Potato (Use the graph paper provided).

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

- (i) Draw the farmer's production possibility frontier
- (ii) If the farmer is operating at 200 kg of potato and 390 liters of milk
  - a. What is the opportunity cost of producing additional 100 kg of potato?
  - b. What is the opportunity cost of producing additional 60 liters of milk?
- (iii) Suppose the farmer is currently producing 100 kg of potato and 400 liters of milk.
  - a. Is the farmer efficiently producing potato and milk?
  - b. How many additional kg of potato could the farmer produce without giving up any milk?
  - c. How many additional liters of milk could the farmer produce without giving up any potato?

6. Write short notes on **four (04)** of the following topics (25 marks)

- (i) Functions of the environment
- (ii) Producer surplus and consumer surplus
- (iii) Economic growth and environment
- (iv) Monopoly and Market failure
- (v) Positive economics and normative economics
- (vi) Fiscal policies and monetary policies