



FIJI NATIONAL UNIVERSITY

College of Agriculture Fisheries and Forestry

School of Agricultural Science

Department of Agricultural Economics and Extension Education

Trade Diploma in Agriculture

**AEC 402 – Introductory Agricultural Economics**

TRIMESTER 1 - 2017

Final Examination

Time Allowed: 3 hours

(An extra 10 minutes is allowed for reading this paper)

Total marks: 100

### INSTRUCTIONS

1. This paper has **three (3)** sections, A, B and C. **All are compulsory.** The paper has 9 pages.
2. Answer all your questions in the answer booklet provided.
3. Show all you're working where necessary.
4. Silent and non-programmable calculators are permitted.

### Summary of questions

Section	Guideline	Marks
A	10 multiple choice questions. All are compulsory.	10
B	5 questions, objective and subjective type. All are compulsory.	50
C	4 questions. All are compulsory.	40

*Turn over*

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**Section A**

**Multiple Choice**

**(10 marks)**

1. The Government of Fiji protects the development of agricultural enterprises by preventing the glut of cheap imports. This is known as:
  - A. subsidy.
  - B. tariffs.
  - C. bonus.
  - D. quota.
  
2. In macroeconomics, term business cycle refers to:
  - A. An upward movement of price from one year to next.
  - B. Number of unemployed person divided by number of people in the labor force.
  - C. Recurrent ups and downs in the real GDP over several years.
  - D. Basic economic problem – the gap between scarce resource and unlimited want.
  
3. Which of the following listed below is not an example of principle behind any trading system?
  - A. Transparency.
  - B. Binding and enforceable commitment.
  - C. Nondiscrimination.
  - D. Personal gains.
  
4. The organization that deals with rules of trade between trading nations is:
  - A. GATT.
  - B. UNESCO.
  - C. TRIPS.
  - D. WTO.

*Turnover*



5. A market which has 1 seller with many buyers is classified as:
- A. Oligopoly.
  - B. Monopolistic.
  - C. Monopsony.
  - D. Oligopoly.
6. Diminishing marginal return implies that:
- A. Decreasing marginal costs.
  - B. Decreasing average fixed costs.
  - C. Decreasing average variable costs.
  - D. Increasing marginal costs.
7. The marginality concept can be illustrated as the change occurring in total output as a result of an addition of:
- A. Total input.
  - B. A unit of input.
  - C. A input cost.
  - D. A return on output.
8. Which of the following listed below is not a characteristic of a perfectly competitive market?
- A. Many buyers and many sellers.
  - B. Products sold are standard.
  - C. Freedom to enter and exit the market.
  - D. Are price determinants.

*Turnover*



9. Which of the following listed below best gives the description of macroeconomics?
- A. Branch of economics that analyzes the market behavior of individual firms.
  - B. Studies the behavior of overall level of nation's production, employment, price and foreign trade.
  - C. Attempts to understand the decision making process of firms and households.
  - D. Concerned with interaction between individual buyers and sellers.
10. Which of the following listed below is not an example of principal of trade dispute settlement initiated by WTO?
- A. Fast.
  - B. Effective.
  - C. Mutually acceptable.
  - D. All of the above.

**Section B**

**(compulsory)**

**(50marks)**

There are 5 questions in this section. Each question carries 10 marks. Attempt all questions.

**Question 1**

**True or False**

**(10marks)**

**Write 'T' if you think statement is correct and 'F' if you think statement is incorrect.**

- 1. WTO came into inception on 1<sup>st</sup> January, 1995.
- 2. Inflation is upward movement of price form 1 year to next.
- 3. Reasons to oppose WTO is that it is fundamentally undemocratic.
- 4. Marginality is addition change in cost or revenue as a result of additional change in input.

*Turnover*





- 5. In a socialism society everything is owned by working class and everyone works towards same common goal.
- 6. Price of related good is one of the determinants of demand curve.
- 7. Substitute goods are those which are used together.
- 8. Price responsiveness is a measure used in economics to show the responsiveness of quantity demanded of a good or service to change in its price.
- 9. In thumb rule of demand elasticity, if the calculated PED is  $> 1$ , then we conclude demand is price inelastic.
- 10. Price floor is the maximum price that can be charged for a particular good.

**Question 2**

**Matching**

**(10marks)**

**Match the terms in the left column with the descriptions given in the right column. With every term write an alphabet from column B against the numeric from column A.**

<b>Terms</b>	<b>Description</b>
----- 1. GATT	A. Quantity demanded equals quantity supplied.
----- 2. Fiscal policy	B. Determinant of demand.
----- 3. Normative economics	C. Example is tea and sugar.
----- 4. Command economy	D. Is subjective and value based.
----- 5. Consumer preference	E. Means by which government adjust its spending.
----- 6. Complementary goods	F. Main purpose is to reduce barriers in international trade.
----- 7. Equilibrium	G. Example is butter and margarine.
----- 8. Oligopoly	H. Economy system controlled by centralized power.

***Turnover***







4. Interpret how substitute good is different from complementary good. Provide suitable example to support your answer. **(2m)**
5. Demonstrate your understanding on law of demand. **(1m)**

**Question 4**

**(10marks)**

1. Interpret your understanding on the following terms in relation to mixed economy.
  - I. Capitalism. **(2m)**
  - II. Socialism. **(2m)**
  - III. Communism. **(2m)**
2. What is the difference between Microeconomics and Macroeconomics? **(1m)**
3. On the pair of axis in your answer booklet, draw demand and supply curve and indicate the following zones:
  - I. Point of equilibrium. **(1m)**
  - II. Surplus zone. **(1m)**
  - III. Shortage zone. **(1m)**

**Question 5**

**(10 marks)**

1. Price of dalo raises from \$15 per bundle to \$20 a bundle. The corresponding change in quantity demanded is 150 bundles to 90 bundles.
  - I. Calculate price elasticity of demand. **(4m)**
  - II. What type of elasticity is this? **(2m)**
2. List down two stated aims of WTO? **(1m)**
3. What does GATT stands for? Write down its main purpose. **(2m)**

*Turnover*



4. List down 2 benefits of WTO to its member countries. (1m)

**Section C**

(40 marks)

There are 4 questions in this section. Each question worth's 10 marks. Attempt all. Show all you're working where necessary. This section contains long answer questions.

**Question 1**

(10 marks)

1. The data provided in the table was obtained from fertilizer trial on dalo grown on fixed area of one hectare of arable land. Use the data to answer the question that follow.

Fertilizer rate (kg/ha)	Total production (kg)	Average production (kg)	Marginal production (kg)
0	0	0	
1	3	3	3
2	8	4	5
3	12	4	4
4	14	3.5	2
5	15	3	1
6	14	2.5	-1
7	12	1.7	-2
8	8	1	-4

- A. On the graph paper provided with answer booklet, sketch the following:
- I. Total Production curve (T.P.C). (2m)
  - II. Average production curve (A.P.C). (2m)
  - III. Marginal product. (M.P). (2m)

*Turnover*





B. Determine the value of the:

- I. Point of diminishing return. (2m)
- II. Economic efficiency stage. (2m)

**Question 2**

**(10 marks)**

List and describe the importance of agricultural sector to Fiji's economy.

**Question 3**

**(10 marks)**

List and describe the characteristics of a perfectly competitive market structure.

**Question 4**

**(10 marks)**

Discuss the role of reserve bank in Fiji's economy.

**THE END**

**BEST WISHES**

