FIJI NATIONAL UNIVERSITY

College of Agriculture, Fisheries & Forestry

School of Agriculture Sciences

Department of Agricultural Economics and Extension Education

Trimester I Final Examination -2017

AEC503 Principles of Agricultural Economics

Time Allowed: 3.00 hours plus (10 minutes reading time) Total Marks: 100

INSTRUCTIONS:

1. This paper consists of 7 pages and 44 questions.
2. Please check to see that all your paper is complete.
3. Answer Part I and Part II and Part III in the Answer Booklet provided.
4. No written or printed material and mobile phones are allowed in the examination hall.
5. Marks allocated for each question appears at the end of each question so allocate your time accordingly.

6. This paper is divided into Three Parts. Part I contains four sections – A, B, C and D. All questions of this part are compulsory. Part II contains Short Answer questions. Attempt ALL questions. Part III contains five (5) long answer questions. Attempt only four (4) out of five (5) questions in Part III.

PART I Objective Questions (40 Marks)

To be answered ONLY in the Answer Booklet provided.

Section A:	Multiple choice Questions.	(10 Marks)
Section B:	Matching type.	(10 Marks)
Section C:	True or False.	(10 Marks)
Section D:	Demand/ supply curves.	(10 Marks)
PART II	Mix of Objective and Subjective Short Answer Questions.	(20 Marks)
PART III	Five (5) Descriptive Type Questions ATTEMPT ONLY FOUR (4)	(40 marks)

TOTAL OF THIS PAPER **(100 Marks)**

PART I Objective Questions (4O Marks)

Section A: Multiple Choice. (10 Marks)

To be answered in the Answer Booklet provided

1 A movement along the demand curve is caused by:

A a rise in price of the commodity; all other factors held constant.
B a rise in price of the related good; all other factors held constant.
C a change in the preferences of the consumers; all other factors held constant.
D a increase in population; all other factors held constant.

2 Fijian agriculture's contribution to Fiji's GDP in 2001 to 2009 has been close to:

A 50%
B 30%
C 20%
D 10%

3 Fiji's Human Development Index in 2014 was:

A 0.63
B 0.73
C 0.83
D 0.73

4 Goods are substitutes when cross price elasticity of demand is:

A positive
B negative
C zero
D one

5 A good is an inferior good when income elasticity is:

A positive
B negative
C zero
D one

6 The supply curve is upward sloping because when price increases:

A demand increases.
B demand decreases.
C supply increases.
D supply increases.

7 **Qd = a-bP** calculates:
A inverse demand
B demand
C inverse supply
D supply

8 In the equation in **question 7** above **"a"** represents:

A the quantity demanded when Price is equal to 1
B the quantity demanded when Price is equal to 0
C the quantity supplied when Price is equal to 1
D the quantity supplied when Price is equal to 0

9 In production economics, the most economical zone of production for single input use is zone:
A 1
B 2
C 3
D 4

10 Welfare loss results from:

A consumer tastes and preferences.
B government intervention.
C reduction in cost of production.
D increase in socialism.

(10 Marks)

Section B: Write True or False against the question number in the answer booklet provided. This section is worth 10 marks.

11 Fiji's economy is heavily based on agriculture, fisheries and forestry.

12 The basic economic problem is scarcity.

13 The formula for price elasticity of supply is the same as price elasticity of demand.

14 The demand curve is always downward sloping.

15 The equilibrium point can be calculated by equating the supply function to the demand function.

16 In single input single output decisions production is maximized when marginal returns is equal to marginal costs.

17 The production function plots input against output.

18 Zero elasticity shows that quantity remains the same despite price changing ; all other factors held constant.

19 An indifference curve is the combination for two goods that do not affect a person's utility.

20 The budget line illustrates a consumer's costs.

(10 Marks)

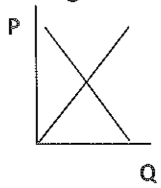
Section C: Matching type. Match the words/phrases in Column A with word/phrases in Column B. Answer in the Answer Booklet provided. ONLY MATCH THE ROMAN NUMERAL WITH THE APPROPRIATE LETTER AND WRITE AGAINST THE QUESTION NUMBER. This section is worth 10 marks.

	Column A		**Column B**
21	Capitalist	**A**	Economy run by private investors
22	Normal goods	**B**	Cheap good that are exceptions to the Law of Demand
23	Opportunity Cost	**C**	Changes with production
24	Giffen Good	**D**	Utilizing fixed assets to their maximum capacity
25	Veblan Good	**E**	Extra
26	Variable cost	**F**	The rate at which a person is ready to give up one good in exchange for another and still attain the same level of satisfaction
27	Economies of scale	**G**	Satisfaction
28	Marginal	**H**	Expensive Goods that are exceptions to the law of Demand
29	Utility	**I**	Income foregone from the next best alternative
30	Marginal rate of substitution	**J**	Demand increases as income increases

(10 Marks)

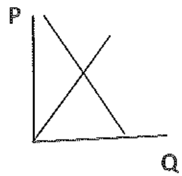
Section D. This section is worth ten (10) marks and consists of 5 graphs. Draw the graphs onto your answer booklet and show the movement/shift of the demand/ supply curves. Questions due to the situations are stated below the graphs. Note for each situation all other factors are held constant.

31a. Oranges



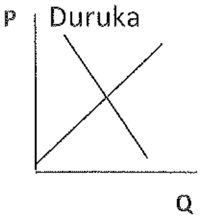
Situation: Price of oranges increases.

b. Cassava



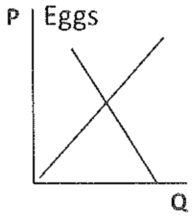
Situation: Increase in population eating cassava.

c.



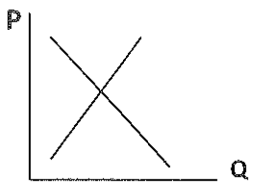
Situation: Increase in cost of production for duruka.

d.



Increase in price of eggs.

e. Milk



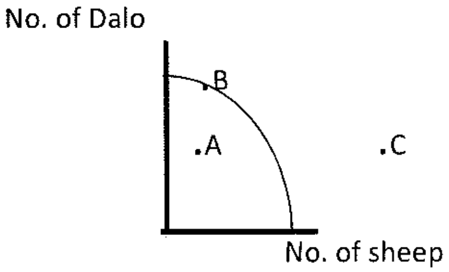
Situation: Expectation of price decrease for milk in the next month .

(10 Marks)

Part II Short Answer Questions

Mix of Short Answer Questions. This section is worth twenty (20) marks. Questions are not of equal value. Answer in the answer booklet provided.

32 Explain points A, B and C of the Production Possibility Frontier below.



(3 marks)

33 Differentiate between positive economics and normative economics.
(2 marks)

34 Differentiate between complimentary Goods and substitute Goods.
(2marks)

35 Differentiate between the Law of supply and the Law of demand.
(3 marks)

36 What is the decision rule for single input use if we want to maximize profit?
(1 mark)

37 Differentiate among three different types of elasticity of supply.
(3 marks)

38 Differentiate among three different types of monopolies.
(3 marks)

39 How can we increase agriculture's contribution to Fiji's GDP?
(3 marks)

Part III DESCRIPTIVE TYPE QUESTIONS (40 marks)

There are five (5) descriptive type questions provided, please attempt ONLY four(4) out of five (5) questions only and write on the Answer Booklet provided. Answer every question on a new page to facilitate evaluation.

40. (i) When price of Good A increases from \$10 to \$15. Quantity demanded for Good B decreases from 90kg to 40 kg.

a. Calculate cross elasticity of demand.

b. What type of goods are A and B?

(ii) When a farm businessperson's income increases from \$400 to \$500 quantity demanded for good A increases from 230kg to 320kg.

a. Calculate income elasticity of demand

b. What type of good is Good A

(10 Marks)

41. Discuss the relationship between the indifference curve and the budget line and their significance in agricultural economics.

(10 Marks)

42 Discuss two different market structures and compare their advantages and disadvantages.

(10 Marks)

43. With the help of a diagram discuss producer surplus, consumer surplus and deadweight loss. **(10 Marks)**

44.

No of labour (person)	Total cost (\$)	Extra Cost (\$)	Total Production (Litres)	Extra Production (Litres)	Average production (Litres)	Total Returns (\$)	Extra Returns (\$)
0			10				
1			40				
2			100				
3			150				
4			180				
5			200				
6			210				
7			211				
8			205				

The above table shows total production from increasing levels of labour input. If labour costs \$40 each and output sells at \$2.00/ litre:

a. Complete the table above;

b. Identify the level of labour at which production is maximized;

c Identify the level of labour at which profit is maximized. **(10 Marks)**

THE END