



FIJI NATIONAL UNIVERSITY

COLLEGE OF AGRICULTURE, FISHERIES & FORESTRY

SCHOOL OF AGRICULTURE SCIENCES AND FORESTRY

AEC 411 – INTRODUCTORY TO FARM BUSINESS MANAGEMENT

TRADE DIPLOMA IN AGRICULTURE – YEAR 1

FINAL EXAMINATION

SEMESTER I, 2018

DURATION - 3 HOURS (extra 10 minutes is allowed for reading)

TOTAL MARKS: 100

INSTRUCTIONS:

- A. This paper consists of ten pages.
- B. Please check to see that your question paper is complete.
- C. Answer all the questions in the answer book provided.
- D. Write your student number on all the pages that you use including any additional sheet of paper used.
- E. Printed or written material is not allowed into the examination hall.
- F. Mark values appear at the beginning of each question or part thereof.

“MOBILE PHONES ARE STRICTLY NOT ALLOWED”

Summary of Questions

<u>Section A</u>	(50 marks)	There are three questions in this section. All question are compulsory.
		<u>Question 1</u> Multiple choice 15 marks
		<u>Question 2</u> Matching 10 marks
		<u>Question 3</u> Fill in the Blanks 15 marks
		<u>Question 4</u> True or False 10 marks
<u>Section B</u>	(40 marks)	There are six questions in this section. All are compulsory.
<u>Section C</u>	(10 marks)	There is one compulsory questions in this section.

Section A

[50 marks]

Question 1

Multiple Choice

[15 marks]

Write the most appropriate answer in the answer book provided.

1. Fijis GDP contribution from agriculture currently stands close to
A. 5.6%. B. 7.8%.
C. 9.6%. D. 13%.
2. The law of demand states that as the
A. price increase, demand also increases.
B. price decrease, demand decreases.
C. demand increases, price also increases
D. price has no effect on price.
3. Which of the following factors causes movement along the supply curve?
A. Improvement in technology.
B. Reduction in tax.
C. Subsidy provided by government.
D. Increase in price.
4. An economy where organisation is characterised by the private ownership is referred as
A. capitalist economy. B. communalism economy.
C. socialism economy. D. mixed economy.
5. Which of the commodities production and value of production has been increasing in Fiji?
A. Sugar. B. Cocoa.
C. Horticulture crops. D. Copra.
6. Scarcity is best described as human wants and needs are
A. infinite but the resources needed to meet these wants and needs are unlimited and plentiful.

Question 2**Matching****[10 marks]**

Match the numbers in list A to the letter of correct answers in list B.

	List A		List B
1	Economics	A	Deals with the entire national economy
2	Opportunity Costs	B	Additional revenue gained from selling one more unit.
3	GDP	C	Is the value of next best choice
4	Depreciation	D	Summarizes the financial condition of the business at a point in time.
5	Current Assets	E	those costs that vary depending on a company's production volume
6	Macroeconomics	F	The total value of everything produced by all the people and companies in the country.
7	Balance sheet	G	A social science that deals with how consumers, producers and societies choose among the alternative uses of scarce resources in the process of producing, exchanging, and consuming goods and service.
8	Marginal revenue	H	is a measure of the wearing out, consumption or other loss of value of asset
9	Variable cost	I	Goods that have already been produced and can be sold quickly without disrupting future production activities:
10	Management	J	described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise

Question 3**Fill in the Blanks****[15 marks]****Part I****[10 marks]**

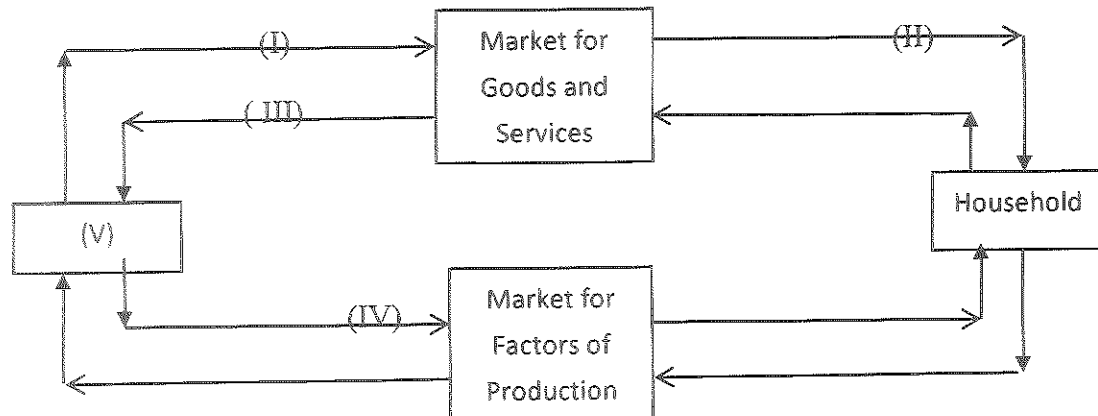
Use the correct word from the list to fill in the blanks below.

Mixed	Price ceiling	Sunken costs	Entrepreneur	Perfect competition
Cartel	Supply	Decision making	Price fixing	Production economics

1. _____ economy is the mixture of socialism and capitalism.
2. _____ is an ideal model of a market economy
3. A _____ ensures a maximum profit by fixing price of goods and services.
4. _____ is the application of the principles of microeconomics in production.
5. _____ is when firms join together to control price of certain goods and services
6. _____ cannot be recovered if a business decides to leave an industry.
7. An _____ is a person who organises the other factors and undertakes the risks and uncertainties involved in the production.
8. _____ is a process of choosing the best alternative for reaching objectives.
9. _____ refers to a schedule of quantities a seller is willing to sell per unit of time at various prices, other things constant.
10. A _____ is a government-imposed price control or limit on how high a price is charged for a product.

Part II**[5 marks]**

Given below is a circular flow model of goods and money in an economy.



- i. Label in the diagram from I to V.

Question 4**True and False****[10 marks]**

1. Socialism is a system of economic organization characterized by the private ownership and use of capital with profit motive.
2. Normative economics is concerned with the development and testing of positive statements about the world that are objective and verifiable.
3. If the PED is greater than 1, the demand is referred as elastic.
4. Shortage, is the condition that exists when quantity demanded exceeds quantity supplied at the current price.
5. Non programmed decisions are routine and repetitive, and the organization typically develops specific ways to handle them
6. Market demand is the total of all individual demands.
7. Price elasticity of demand is always positive.
8. Price Floor cannot be higher than the market equilibrium price.
9. Two goods are substitutes if they give the same amount of satisfaction to the consumer regardless of which one is being consumed.
10. Reserve Bank of Fiji regulates the flow of currency in the country.

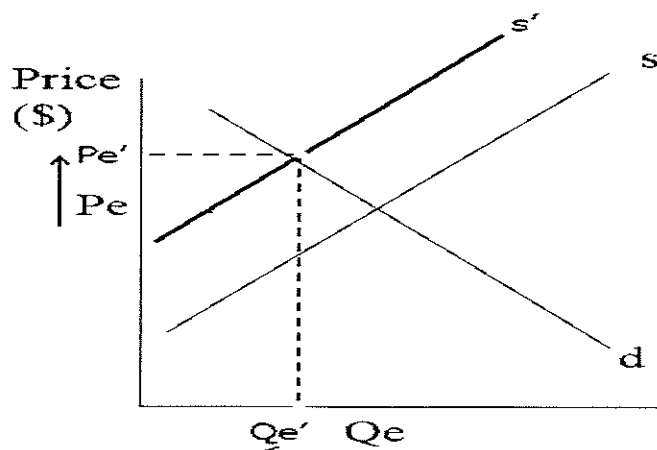
Section B

Short Answer Questions

[30 marks]

Question 1

Refer to the diagram below to answer the following questions



- i. Relate the reason for movement in supply curve above? [2 mark]
- ii. Explain what happens to the market equilibrium price and quantity? [2 mark]
- iii. Interpret two situations that causes the supply curve to shift right? [2 mark]

Question 2

- i. Interpret the law of demand? [2 marks]
- ii. Determine why does a demand curve slope downward towards to the right? [2 marks]
- iii. Explain how market demand curve is derived from individual demand curves? [2 marks]
- iv. What are the two determinants of demand? [2 marks]

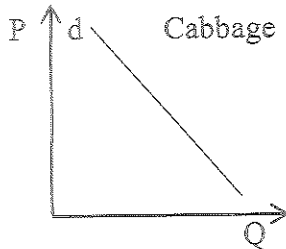
Question 3

Compare the following terms:

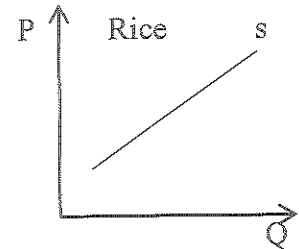
- i. Nominal and Real GDP. [2 marks]
- ii. Shortage and Surplus. [2 marks]
- iii. Total utility and Marginal utility. [2 marks]
- iv. Monopoly and Monopsony. [2 marks]

Question 4

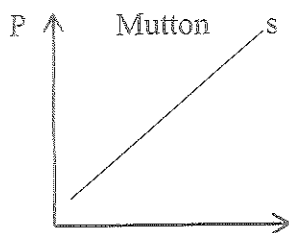
- i. Demonstrate by drawing the movement of supply and demand curve in the scenarios provided.



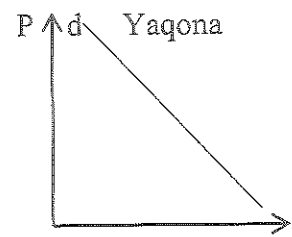
- a. Increase in price of cabbage.



- b. Improvement in technology of rice.



- c. Increase in tax of mutton import.



- d. New use of yaqona as relaxation pills

[2 marks each]

Question 5

On 1 January 2010 a business purchased Equipment for \$6400 cash and freight charges amounted to \$600. Its estimated life was considered to be 5 years with a residual value of \$2000.

Draw a table to illustrate the yearly depreciation using straight line method. [4 marks]

Question 6

Table below show the schedule of input output relationship. Cost of employing each worker is 120 \$ per day as only variable cost. The total fixed cost for this activity is \$ 330 per day.

Complete the table by computing total variable cost (TVC), total cost (TC), marginal cost (MC), average fixed cost (AFC), average variable cost (AVC), and average total cost (ATC).

Labour input	Total production	TVC	TFC	TC	MC	AFC	AVC	ATC
0	0							
1	6							
2	15							
3	27							
4	37							

[6 marks]

Section C

Essay

[10 marks]

Apply your knowledge to compare the given market structures with perfect market.

- Oligopoly
- Monopoly
- Monopolistic
- Monopsony
- Oligopsony

THE END