



UNIVERSITY OF RUHUNA
FACULTY OF AGRICULTURE

First Examination in BSc Green Technology (Part I)

June 2022

EC 1103 Economics Principles (Compulsory)

Theory

INSTRUCTIONS

Answer **FOUR** questions.

Only non-programmable calculators are permitted.

Mobile phones are NOT permitted.

TIME: One and half hours

INDEX NUMBER

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01. a. Define the 'demand' concept? (03 marks)
- b. List the factors affect on demand? (06 marks)
- c. Graphically explain following situations (04 marks each)
- i. Due to the bird flu spread over poultry farm the demand for chicken decreased. What is the impact on demand for fish?
 - ii. The monthly income of the people increased by 20%. Illustrate the changes in durable goods.
 - iii. High profits in shrimp farming increased the number of shrimp farms in the country. Show the impact on shrimp supply in the market.
 - iv. The government decided to provide a fertilizer subsidy for sugarcane farmers. This has led to increase the sugarcane yield of farmers.
02. Explain demand pull inflation and consequences of inflation to the population. (25 marks)
03. a. Explain Total production (TP), Average production (AP), Marginal production and depict these on a graph. (10 marks)
- b. Graphically illustrate the three stages of production function. (15 marks)

04. The demand function (Q_{DA}) and supply function (Q_{SA}) of the firm A are as follows.

$$Q_{DA} = 1200 - 10P$$

$$Q_{SA} = -600 + 20P$$

Q_{DX} = Quantity demanded

Q_{SX} = Quantity supplied

P_X = Price of X (in LKR)

- i. Calculate the equilibrium price of the firm
- ii. Calculate the equilibrium quantity of the firm
- iii. Plot the market equilibrium of the firm A in a graph.
- iv. Calculate the consumer surplus of the firm A.
- v. Calculate the producer surplus of the firm A. (25 marks)

05. "Sri Lanka is heading to an economic recession" Do you agree with this statement.

Comment for and against this statement. (25 marks)

06. a). National GDP in 2017 = 70 billion Rupees; National GDP in 2018 = 80 billion Rupees; National GDP in 2019 = 100 billion Rupees; what is the economic growth in 2019 compared to 2018? (5 marks)

b) Consider the following consumption function. $C = 100 + 0.85 * Y_d$ (4 mark*5 = 20)

- i. If $Y_d = 1400$ Rs; What is the marginal propensity to consume (MPC)?
- ii. What is the marginal propensity to save (MPS)?
- iii. Calculate APC (average propensity to consume)
- iv. What is the level of Consumption?
- v. What is the autonomous spending?

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