

EASTERN UNIVERSITY, SRI LANKA
SECOND YEAR FIRST SEMESTER EXAMINATION IN AGRICULTURE- 2014

11 OCT 2014
EASTERN UNIVERSITY

EXTERNAL DEGREE
AEC 2101: FARM MANAGEMENT ECONOMICS

Answer All questions

Time: 3 Hours

1. a. Briefly explain the steps involved in farm planning.
b. List the importance of keeping farm records.
c. Differentiate between an Agricultural economy and Industrial economy

2. a. What are the sources of risks in agricultural production.
b. List the tools of production risk and explain how these different strategies could be used to reduce risks.

3. a. Define the term "Depreciation" and briefly discuss the causes of depreciation.
b. Assume that a new machine is purchased on January 1st for Rs.200, 000 and given a salvage value of Rs. 25,000 at 20 years useful life.
What would be the total depreciation after a 4 year period under each depreciation method given below.
 - i. Straight line method.
 - ii. Sum- of-the year digit method.

4. a. What are the assumptions of Linear Programming?
b. Use the Linear programming procedure to find the profit maximizing whole farm plan and the gross margin for the following information.

Resources	Resource limit	Resource requirements (per acre)	
		Corn	Soybean
Land (Acres)	120	1	1
Labour (Hours)	500	5	3
Operating capital (Rs.)	30, 000	200	160
Gross Margin (Rs.)		120	96

5. a. How do you form expectations using “Most likely method” and “Averages”?
 b. Find out the best estimate using the most likely method.

<u>Possible paddy yields</u> (Bushel/ acre)	<u>Number of years actual</u> yield was in this range
0 - 10	1
11- 20	2
21- 30	5
31- 40	7
41- 50	4
51- 60	1

- c. Find out the Expected Value (EV) for price of a cow using the Simple and Weighted Average methods.

<u>Year</u>	<u>Average annual price(Rs)</u>
5 Years ago	8,000.00
4 Years ago	7,960.00
3 Years ago	9,160.00
2 Years ago	10,030.00
Last year	12,010.00

6. a) Briefly explain the steps involved in preparing a Crop Enterprise Budget.
 b) Give the uses of a Partial Budget and illustrate the format of a Partial Budget.
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