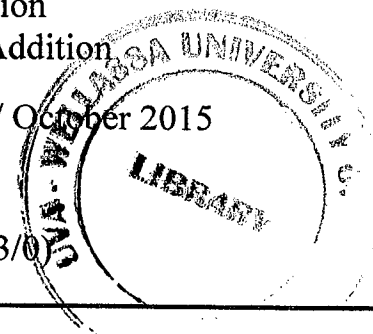


Uva Wellassa University  
Faculty of Animal Science and Export Agriculture

Bachelor of Animal Science  
BSc. in Export Agriculture  
BSc. in Tea Technology and Value Addition  
BSc. in Palm & Latex Technology and Value Addition

End Semester Examination – September / October 2015  
Year I Semester II

Economic Thinking in Agriculture (EAG 121-3/0)



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### Instructions

Answer All questions.

No. of questions : Two (02)

No. of pages : Two (02)

Total Marks allocated : 40%

Time : One hour (01 hr)

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### PART III - ESSAY

#### Question 1

1.1.

a. What is income elasticity of demand?

(5 marks)

b. Using the formula for the income elasticity of demand, discuss the different income elasticities of inferior goods, necessities and luxuries.

(15 marks)

1.2.

a. Graphically illustrate the TPP, APP and MPP curves.

(15 marks)

b. Indicate elasticity values in all stages of production while showing the inflection point, technical maximum and technical optimum.

(15 marks)

## Question 2

2.1. For a domestic economy,  $C = 20 + 0.80Y_d$ ,  $Y_d = Y - NT$ ,  $NT = TA - TR$ , Investment  $I = 50$ , Government spending  $G = 20$ , Disposable income Government transfers  $TR = 0$ , Income tax rate  $T = 10$ .

a. Calculate the equilibrium income in the economy.

(8 marks)

b. Find consumption and saving at the equilibrium level of income.

(12 marks)

2.2.

a. Explain the difference between demand pull – inflation and cost – push inflation

(15 marks)

b. Discuss the relationship between unemployment and inflation rate using the Phillip's Curve

(15 marks)