

Subject: Farm management and production economics

1. Estimate the average product(AP), marginal product(MP), marginal cost(MC), marginal revenue(MR), total cost(TC) and total revenue(TR) at the production point B from the production function given in the table. The unit prices of input and output are 20 and 10 respectively.

Production point	Level of input(X)	Level of output(Y)
A	10	30
B	20	60

2. Two examples of each:

	Example 1	Example 2
Current assets		
Division of labor		
Medium term liabilities		
Variable input		
Competitive market		
Measures to estimate the profitability of a farm business		
Depreciation rate of assets		

3. A person has saved NRS. 200,000 in a bank. The bank provides 12 % interest on saving and the interest is compounded quarterly. What will be the value of money after 2 years?

4. A dairy farm would like to achieve a competitive advantage. What could be the possible strategies that the farm could employ to become competitive in the industry?

5. Suppose you wish to establish an agricultural based enterprise in Chitwan. What will you choose, dairy or vegetable farming? How and why will you choose?



6. The cost of a machine was 200,000 when it was bought 4 years ago. The farmer wants to sell the machine. What price he must offer for the machine now?
7. Explain with example how an entrepreneur applies law of equi-marginal returns in the business.
8. Write in short.
- Output elasticity = 0.7
 - Benefit Cost ratio(BCR) = 0.8
 - Returns to scale = 1.1
 - Breakeven on sales = 60%
 - What will you do with the production process if the marginal cost is greater than the marginal revenue?



9. Develop a linear programming model from below.

A farmer has three outputs in one season for choice: wheat, mustard, and lentil. Assume that the price of wheat, mustard, and lentil is 4000, 8000, and 7000 per quintal respectively. The farmer has 2 ha of land, labor 500 man-days, and capital 8000 only for that season.

The input-output relationships are:

	Per quintal production of wheat	Per quintal production of mustard	Per quintal production of lentil
Land	0.03	0.04	0.03
Labor	3	4	3
Capital	2000	1000	1500

