Dr. PANJABRAO DESHMUKH KRISHI VIDYAPEETH,AKOLA

SEMESTER END THEORY EXAMINATION

B. Sc. (Hons.) Agriculture

Model Answer

Semester : VI (NEW)**Term:** II **Academic Year:** 2020-2021

Course No. : ECON-365**Title:**Farm Management, Production & Resource Economics

Credits : 2 (1+1)

Day & Date :**10/6/2021** **Time:3.00-4.00**1:00 Hr**Total Marks:** 40

Note : 1) Solve ANY FOUR questions from SECTION-A

2) Solve ANY SIX questions from SECTION-B

3) ALL questions from SECTION-C are compulsory

4) Send the PDF file of answer sheet to the email id of respective course teacher

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SECTION "A"

(Write the answers in 4-5 sentences only. Each question carries 4 marks)

Q. 1. Enlist the principles involved in making rational decisions of farm management.

Ans. 1. Laws of returns: a) Diminishing returns b) Constant returns c) increasing returns

2. Principle of Substitution between inputs.
3. Principle of Substitution between products.
4. Law of Equi-marginal returns principle.
5. Law of comparative advantage.
6. Principle of combining enterprises

Q.2. Explain brieflythe types offactor - product returns relationships.

Ans.1.Constant marginal returns : In constant returns of linear relationships, each additional unit of the variable input when applied to the fixed factor(s) produces an equal amount of additional product i.e. the amount of product increases by the same magnitude for each additional nit of input.

2. Increasing marginal returns : In this case every additional or marginal unit of input adds more to the total product than the previous unit i.e. additional total product is at an increasing rate.

3. Decreasing marginal returns : In this type of function, each additional unit of input adds less to the total product than the previous unit did. Diminishing marginal returns exist, for example, if the first input adds 20 units, to the total output while the second adds 15 units, the third adds 10 units, fourth adds 5 units and so on.

Q.3. Discuss in short the types of farm budgeting.

Types of farm budgeting-

1) Partial budgeting (Enterprisebudgeting)- It refers to estimating the outcome or returns for a part of the business, i.e. one or few activities. In situations, where relatively small modifications have to be made to the existing organization, a partial budget will suffice.

2) Complete budgeting (Fullbudgeting) – This method is used to make out a plan for a whole farm. In situations involving extensive remodeling of the farm organization , a full budget is called for. In preparing the complete budget , all the physical data are included and all costs and receipt items have to be calculated. This procedure includes six main steps. a) Listing available resources and stating objectives) estimating crop areas and livestock numbers. c)

estimating physical inputs and outputs .d) Estimating factors and product prices; calculating cost and returns. e) Estimating fixed cost. f) Totals and layout of budget.

Q. 4. Enlist the different types of enterprise relationships.

Ans- 1) Joint products enterprises: a) fixed proportions b) variable proportions

2) Complementarily enterprises

3) Supplementary enterprises

4) Competitive enterprises: a) Constant rate of substitution b) Increasing rate of substitution c) Decreasing rate of substitution d) Other product of independent products

5) Antagonistic enterprise

Q. 5. State the principal characteristics of good farm plan.

Ans- 1) It should provide for efficient use of farm resources such as, labour and equipment.

2) Avoid excessive risks.

3) Provide flexibility

4) Utilize the farmer's knowledge, training and experience and take account of the farmers likes and dislikes.

5) Give consideration to efficient marketing facilities.

6) Provide program of obtaining, using, and repaying the credit.

SECTION "B"

(Write the answers in one sentence only. Each question carries 2 marks)

Q.6.(Answer in one sentence/do as directed/Define questions.)

a) Define - i) Iso-quant– Iso-product curve show all possible combinations of two-inputs, physically capable of producing the same amount of output or a given output level.

ii) Marginal cost –The cost of producing additional unit of output.

b)Write the characteristics of natural resources?

Ans-1) Utility is a measure of satisfaction.2) Limited availability 3) Potential for depletion or consumption.

c) Fill in the blanks. i) Farm business income = Gross income - **Cost A_1**

ii) The net worth statement shows the **financial**condition and stability of the business.

d) Write true or false.

i) The complete list of farmer's assets is known as balance sheet. **False**

ii) Technical unit refers to a single fixed unit in production, for which technical coefficients are calculated.**True**

e) Write the relationship between total product and marginal product.

1) When TP is increasing, marginal product is positive throughout its range.

2)When TP is at its maximum, MP will be zero.

f) What do you mean by risk and uncertainty?

Risk: It refers to a situation in which one is not sure of the outcome, but can establish probabilities of an outcome. With the probability data, the farmer can protect his farm business, to a certain extent, through adjustments in his production schedule, insurance, hedging etc.

Uncertainty: Uncertainty is a state of being doubtful about future events, which cannot be foreseen exactly. We have no valid basis for assigning any kind of probability to future events.

g) What do you mean by linear programming?

Ans-Linear programming is a budgeting technique that is more refined and systematic than the conventional budgeting method. It is a technique that uses computational procedure.

SECTION "C"

(Choose the correct option. Each question carries 1 mark)

Q.7. Select the correct answers from the following multiple-choice questions. **(1 mark each)**

1) Iso-revenue lineindicates the ratio of______for the two competing products.
   a) Prices b) Cost
   c) Yield d) Income

2) A_________ farming means a system under which all agricultural operations are carried on jointly by the farmers on a voluntary basis, each farmers retaining the right on his own land.
   a) Co-operative b) Collective
   c) Capitalist d) State

3) When AP < MP, AP is _______________
   a) Remains constant b) At maximum
   c) Increasing d) Decreasing

4). A production function with elasticity of production equal to one indicates _________
   a) Zero returns **b) constant returns**
   c) Decreasing returns d) Increasing returns

5) The decline in the value of an assets due to usage, accidental damage and time obsolescence is called ________________
   a) Depreciation b) Liabilities
   c) Appreciation d) Capitalization

6) __________enterprises are those which add to the production of each other.
   a) Complementary b) Supplementary
   c) Competitive d) Comparative

7) Additional income generated by using additional unit of output is known as________
   a) Marginal returns b) Average returns
   c) Variable returns d) Total returns

8) One of the important fixed cost on a farm is _______________
   a) Seed cost **b) Land rent**
   c) Irrigation cost d) Feed cost

9) Which one is not a tool of farm management?
   a) Farm planning b) Farm budgeting
   c) Farm book keeping d) Production and cost function

10) The use of resources which cannot be stocked for a later period are called___________
a) Technical unit b) Opportunity resources
c) Resource services **d) Flow resources**

11) In case of diminishing rate of substitution, the curve will be______________

a) Convex to origin b) Straight line

c) Concave to origin d) Vertical or horizontal

12) The ultimate aim of farm management is to ________________

a) Increase gross income b) Reduce total cost

c) Optimize factor utilization d) None of above

Signature of course teacher

Name : Dr. Sunita N. Suryawanshi

Designation : Assistant Professor (Agril. Econ.)

College. : College of Agriculture, Nagpur

Mob. No. : 9423129414

Signature of Head of the Section

Name : Dr. N. T Bagde

Department : Agril. Econ. and Statistics

Mob. No. :

Office Seal :