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2nd SEM. 2004/2005

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

**PROGRAMME: DIPLOMA IN AGRICULTURAL EDUCATION YEAR I
DIPLOMA IN AGRICULTURE YEAR I
DIPLOMA IN HOME ECONOMICS YEAR I
DIPLOMA IN HOME ECONOMICS
EDUCATION YEAR I
DIPLOMA IN TEXTILE AND APPAREL
DESIGN YEAR I
REMEDIAL IN AGRICULTURAL EDUCATION
REMEDIAL IN AGRICULTURE
REMEDIAL IN HOME ECONOMICS
REMEDIAL IN HOME ECONOMICS EDUCATION**

COURSE CODE: AEM 103

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

TIME ALLOWED: TWO (2) HOURS

- INSTRUCTIONS:**
- 1. ANSWER QUESTION ONE AND CHOOSE ANY OTHER TWO FROM THE REMAINING THREE QUESTIONS.**
 - 2. QUESTION ONE CARRIES FOURTY(40) MARKS AND THE REMAINING QUESTIONS THIRTY MARKS EACH.**

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Question 1

- (a) Explain what may cause a shift in demand of a given product. **18 MARKS**
- (b) Briefly discuss why demand curves slope downwards from left to right. **8 MARKS**
- (c) Explain why supply of commodity X may shift to the right. **14 MARKS**

Question 2

- (a) With the help of diagrams explain the effects of a price floor and a price ceiling. **10 MARKS**
- (b) Distinguish with examples the variable costs and fixed costs of a firm. **8 MARKS**
- (c) Explain, using simple examples, the following types of costs: explicit costs, implicit costs, and opportunity cost. **12 MARKS**

Question 3

- (a) Differentiate between pure competition and pure monopoly. **18 MARKS**
- (b) Describe the functions of money. **9 MARKS**
- (c) Explain what usually happens to price elasticity of demand as price falls along a straight- line demand curve. **3 MARKS**

Question 4

- (a) Briefly describe the characteristics of the four factors of production. **15 MARKS**
- (b) Briefly discuss the advantages and disadvantages of specialization. **12 MARKS**
- (c) Explain what is meant by a supply elasticity of 0.7 for wheat. **3 MARKS**