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UNIVERSITY OF SWAZILAND

SUPPLEMENTARY 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

INSTRUCTION: ANSWER ALL FOUR (4) QUESTIONS

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Question 1

(a) Explain how the prices of other commodities may affect the supply of a given commodity. **14 MARKS**

(b) With the help of a diagram, explain how equilibrium price and equilibrium quantity may be determined by the forces of demand and supply. **13 MARKS**

(c) With the help of a diagram, explain the effect of a ceiling and floor price. **13 MARKS**

Question 2

(a) Suppose you are a pure competitor in the market and you are currently selling 600 units of product X at E5.00 per unit. If you raised the price of product X to E7.00, what would you expect the percentage change in quantity demanded to be? **8 MARKS**

(b) What is the relationship between Marginal Revenue and Marginal Cost at the output where a pure competitor maximizes profit? Describe this relationship if the producer decided to produce one unit less or more than this profit maximizing output? **12 MARKS**

(c) Differentiate (with a help of a diagram) between a change in demand and a change in quantity demanded. **10 MARKS**

Question 3

(a) Draw a diagram depicting a situation of a pure competitor. Explain how profits can be maximised and how losses can be minimized. **15 MARKS**

(b) How do you differentiate between a pure competitor from a pure a pure monoplist.

15 MARKS

Question 4

(a)

Price	Quantity Demanded
1.00	100,000
0.50	300,000
0.25	600,000
0.10	1,000,000

Calculate arc elasticity of demand and explain what these numbers mean. Also explain the relationship between these elasticities and the total expenditure by consumers.

12 MARKS

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(b) Consider the following table showing income and quantities of two goods, A and B.

Quantity of A	Quantity of B	Income
100	150	600
120	130	700

Use the averaging method to calculate income elasticity. Differentiate between the two goods. **8 MARKS**

(c) Distinguish between substitutes and complementary goods. By way of an example, show how you would calculate the cross price elasticity of substitutes and complementary goods. **10 MARKS**