



**SUPPLEMENTARY 2005/2006**

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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**

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

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**Question 1**

- (a) Explain the various factors that affect demand of a given commodity. **(20 MARKS)**
- (b) With help of diagrams explain the effects of shifts in supply and demand. **(20 MARKS)**

**Question 2**

- (a) Differentiate between pure competition and pure monopoly. **(10 MARKS)**
- (b) Consider the following table showing income and quantities consumed of goods A and B.

INCOME	QUANTITY OF A	QUANTITY OF B
600	100	150
700	120	130

Using the averaging method calculate relevant elasticities from these figures and state what type of goods A and B are.

**(5 MARKS)**

- (c) Given the following data for a commodity:

PRICE	QUANTITY DEMANDED
1.00	100,000
0.50	300,000
0.25	600,000
0.10	1,000,000

Calculate arc price elasticities of demand for the commodity and explain what these numbers mean..

**(10 MARKS)**

- (d) Explain possible effects when government fixes prices in the market? Use diagram(s) in your explanations.

**(5 MARKS)**

**Question 3**

- (a) Do you believe that the prices of other commodities may affect the supply of a given commodity. Explain your answer.

**(15 MARKS)**

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

**(15 MARKS)**

**Question 4**

- (a) Which of the following represents quantity demanded and quantity supplied?

PRICE	Q1	Q2
100	421	307
200	190	510
50	615	219
150	207	421
120	365	365

**(5 MARKS)**

- (c) With the help of diagrams differentiate between a change in demand and a change in quantity demanded.

**(5 MARKS)**

- (d) Differentiate with examples between variable costs and fixed costs in relation to short run and long run.

**(10 MARKS)**

- (e) Suppose you are a pure competitor in the market and you are currently selling 209 units of commodity X at E10 per unit. If you raised the price of commodity X to E15, what would be the percentage change in quantity demanded? Give reasons for your answer.

**(5 MARKS)**

- (e) Suppose a farmer initially produces 40 bags of maize at an average total cost of E400.00 each. The farmer then increases production of maize to 42 bags. The production of the additional 2 bags reduces the average total cost to E390.00. What is the marginal cost of each of the additional bag of maize?

**(5 MARKS)**