



SUPPLEMENTARY 2006/2007

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UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

PROGRAMME: B.Sc. in Agricultural Economics and Agribusiness Management

COURSE CODE: AEM 306

TITLE OF PAPER: INTERMEDIATE MICROECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1. ANSWER ALL QUESTIONS
2. EACH QUESTION CARRIES TWENTY FIVE (25) MARKS

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THE CHIEF INVIGILATOR**

QUESTION ONE

- (a) If the price of commodity A is E50.00 today just like it was 5 years ago, can one safely say that all supply and demand conditions in the market for commodity A, have remained stable all the years? Explain your answer. **15 MARKS**
- (b) Explain the relationship between the incidence of a tax and elasticity. **10 MARKS**

QUESTION TWO

- (a) What is the difference between a normal profit and an economic profit? **12 MARKS**
- (b) What is the fundamental difference between explicit and implicit costs to the firm? **13 MARKS**

QUESTION THREE

- (a) What do economists mean when they discuss scarcity? **9 MARKS**
- (b) Explain why the PPF is bowed out. **10 MARKS**
- (c) Explain the difference between marginal cost and marginal benefit. **6 MARKS**

QUESTION FOUR

- (a) Compare and contrast production efficiency and allocative efficiency **10 MARKS**
- (b) What is the difference between comparative advantage and absolute advantage **10 MARKS**
- (c) What are substitutes in production? **5 MARKS**