



1st SEM. 2006/2007

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc. in Agriculture V (AEM OPTION)

COURSE CODE: AEM 502

TITLE OF PAPER: MICROECONOMICS

TIME ALLOWED: TWO (2) HOURS

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

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QUESTION ONE

- (a) What is the relationship between wants, factors of production, scarcity and choice? Discuss the relationship for an individual and society. **6 MARKS**
- (b) You can spend the next hour studying for a microeconomics test, watching Swazi news, dancing at House on Fire or sleeping. If you decided to study, what is the opportunity cost of your choice? **7 MARKS**
- (c) Computers are a complement to computer softwares. Suppose the price of a computer falls. Simultaneously, suppose that the number of companies selling computer software decreases. How do these changes affect the price and quantity of computer software? **12 MARKS**

QUESTION TWO

- (a) What are some of the potential obstacles that can prevent a market from reaching the efficient outcome? Briefly define each obstacle. **12 MARKS**
- (b) When a tax is imposed on sellers of goods, the resulting rise in the equilibrium price is usually less than the amount of the tax itself. Why doesn't the equilibrium price rise by the full amount of the tax? **13 MARKS**

QUESTION THREE

- (a) How is a budget line similar to a production possibilities frontier? How do they differ? **8 MARKS**
- (b) Explain how changes in the price of goods and consumer's budget affect the budget line. **12 MARKS**
- (c) What is the fundamental difference between explicit and implicit costs to the firm? **5 MARKS**

QUESTION FOUR

- (a) What is the relationship between the marginal product of labour and marginal cost? **7 MARKS**
- (b) Why does the profit maximizing level of production occur at the point where marginal revenue equals marginal cost? **7 MARKS**
- (c) Explain the different possible profit outcome for a perfectly competitive firm in the short-run versus the long-run. Explain why they occur. **11 MARKS**