



2nd SEM. 2007/2008

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UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: BSc. in Agriculture Economics and Agribusiness
Management Year 1
BSc. in Agricultural Education Year 1
BSc. in Agronomy Year 1
BSc. in Animal Science
BSc. in Food Science, Nutrition and Technology Year 1
BSc. in Home Economics Year 1
BSc. in Home Economics Education Year 1
BSc. in Horticulture Year 1
BSc. in Land and Water Management Year 1
BSc. in Textiles Apparel Design and Management Year 1

COURSE CODE: AEM 104

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: 1. ANSWER ANY FOUR (4) QUESTIONS
2. EACH QUESTION CARRIES 25 MARKS
3. ONE GRAPH SHOULD APPEAR ON EACH PAGE OF GRAPH PAPER

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Question 1

Compare and contrast the following terms as used in economics.

- (a) Short run and Long run
- (b) Primary and Tertiary production
- (c) Money income and Real wages
- (d) Budget line and Demand curve
- (e) Oligopoly and pure monopoly

(25 marks)

Question 2

- (a) With the help of a well labelled diagram, explain the effects of a ceiling price (10 marks)
- (b) How do the following factors affect the supply of maize in Swaziland
 - i) Weather
 - ii) Technology
 - iii) Prices of factors of production (land and labour)
 - iv) Maize prices at NMC
 - v) Taxes and subsidies

(15 marks)

Question 3

- (a) Discuss price discrimination and the factors which favour its existence under pure monopoly (10 marks)

- (b) Consider the following straight line demand and supply curves

$$Q_d = 200 - 8P$$

$$Q_s = 8 + 8P$$

$$Q_d = \text{quantity demanded; } P = \text{price}$$

$$Q_s = \text{quantity supplied; } P = \text{price}$$

- i) For values of $P = 12, 14$ and 22 , calculate the quantities demanded and supplied.
- ii) If these prices are fixed by Government, what are their economic names

(9 marks)

- (c) With the help of a well labelled diagram, discuss a production function which represents diminishing returns

(6 marks)

Question 4

Choose the most appropriate answer.

- (a) Economics is best defined as

(3marks)

- A. How people make money and profits in the market
- B. Making choices from an unlimited supply of goods and services
- C. Making choices with unlimited wants but facing scarcity of resources
- D. Science of choice and how people cope with differences in wants

- (b) Which of the following may be found in oligopoly but not monopolistic competition?

(3marks)

- A. Advertising
- B. Collusion
- C. Excess capacity
- D. Product differentiation

- (c) Monopolistic competition is best described as a market structure where:

(3marks)

- A. Firms are price takers
- B. There are barriers to entry and exit
- C. The firms produce differentiated goods
- D. Most of the firms earn supernormal profits in the long run

- (d) What does the existence of scarcity imply?

(3 marks)

- A. All goods are economic goods
- B. Economic agents have to make choices
- C. It is not possible to increase the quantity of resources
- D. Productive potential of resources is decreasing

- (e) Which of the following is a capital good

(3marks)

- A. A fishing area
- B. A bank loan to a newly established firm
- C. A photocopying machine in an law firm
- D. A car used to transport staff

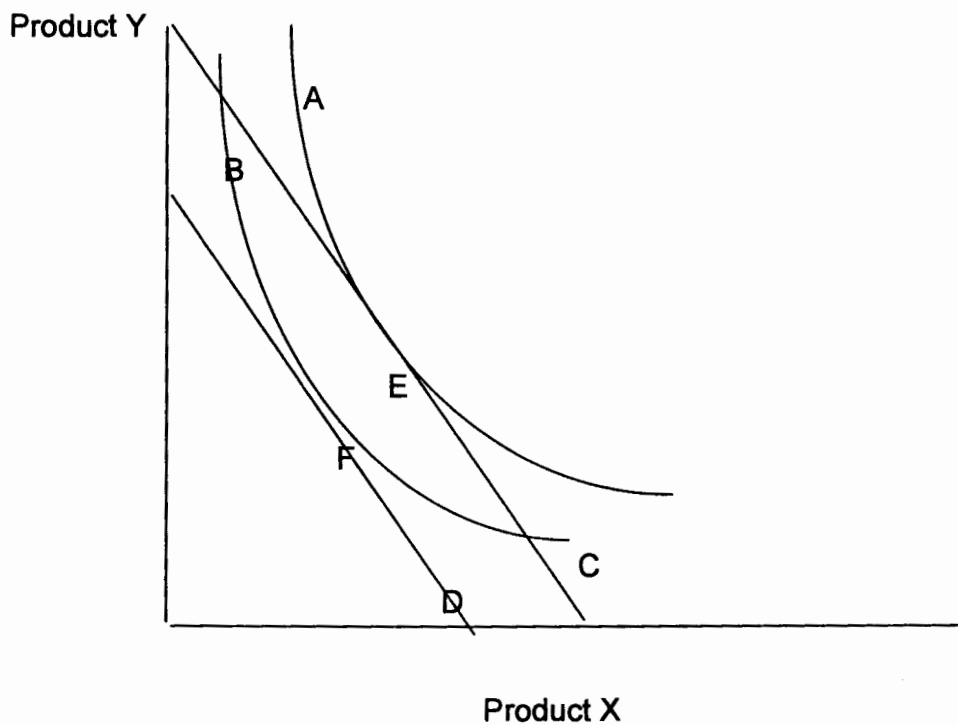
(f) In choosing an item to serve as a medium of exchange, which of the following is the most important characteristic. It must be

(3marks)

- A. Divisible
- B. Issued by the state
- C. Easily recognisable
- D. Generally acceptable

(g) The following graph and shows two budget lines and two indifference curves. Which point represents the highest attainable level of utility?

(4 marks)



- A. A and C
- B. B and D
- C. F
- D. E

- (h) Which worker is employed in a tertiary sector (3marks)
- A. A miner
 - B. A farmer
 - C. An advertiser
 - D. A fisher

Question 5

- a) A commodity has a supply elasticity of 0.22. What type of elasticity is it and what does it mean. (4 marks)
- b) What is an indifference curve and what characteristics are particular to such curves. (5 marks)
- c) The ideal situation in markets is one of pure competition. When do we classify a particular market as being purely competitive (Pure Competition) (10 marks)
- d) True or False
- (i) When Average product is falling, Marginal product is less than average product
 - (ii) A 60% increase in taxes decrease the demand for inferior goods
 - (iii) When demand increases, supply remaining the same, both price and quantity increase.
- (6 marks)