UNIVERSITY OF SWAZILAND

SUPPLEMENTARY 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

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

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THE CHIEF INVIGILATOR.**

Question 1
Compare and contrast the following terms as used in economics.

    a) Complementary and substitute goods
    b) Explicit and Implicit costs
    c) Fixed and variable inputs
    d) Law of diminishing marginal utility and Law of diminishing returns
    e) Oligopoly and pure monopoly

                                            (25 marks)

Question 2

    a) With the help of a well labelled diagram, show three points which represent same satisfaction but different expenditures

        (10 marks)

    b) Discuss three factors which influence the demand of maize in Swaziland
                                              (15 marks)

Question 3
    a) Prove that Marginal cost is equal to price of commodity divided by the marginal product i.e. $MC = P_x(1/MP)$

                                              (5 marks)

    b) Two firms are identical in every way save one, The first entrepreneur rents the premises on which his business operates while the second uses her own building. Whose costs are the higher? Explain your answer.

                                              (10 marks)

    c) Discuss the disadvantages of a Monopoly

                                              (10 marks)

Question 4

a) Using the data from the data below calculate;

OUTPUT	0	10	20	30	40
TOTAL COST	100	164	258	290	360

    i) total fixed cost and explain what is meant by total fixed cost
    ii) total variable cost when output is 20
    iii) What is meant by marginal cost (MC), calculate MC (at ALL output levels)

(13 marks)

b) Given the following data for a commodity:

PRICE	QUANTITY DEMANDED
1.00	300,000
0.50	500,000
0.25	800,000
0.10	1,200,000

Calculate arc elasticities of demand for the commodity and explain what they mean.

(12 marks)