



**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**PROGRAMME: BSc. in:**

AEM, AEE, AGRONOMY, ANIMAL SC., FSNT, HE, HEE, HORT.,  
ABE & TADM Year I

**COURSE CODE: AEM 103**

**TITLE OF PAPER: Principles of Economics**

**TIME ALLOWED: 2:00 Hours**

**INSTRUCTION: 1. Section A is compulsory plus any TWO from  
Section B**

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GRANTED BY THE CHIEF INVIGILATOR**

**SECTION A (compulsory)**

- Carries 40 marks

**Question 1**

1. Which of the following would cause the demand curve for a good to shift to the left?
  - a. A rise in the price of the good
  - b. An increase in the supply of the good
  - c. A decrease in the price of a substitute good
  - d. A decrease in the tax imposed by government
2. A rise in income results in the increase in the quantity demanded. This is true for which types of goods?
  - a. Inferior
  - b. Superior
  - c. Normal
  - d. none of the above
3. A good has a unit price elasticity of demand. What will decrease as a result of an increase in the price of the good?
  - a. Quantity demanded
  - b. Quantity supplied
  - c. Expenditure on substitutes
  - d. Expenditure on the good
4. Economics is best defined as:
  - 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
  - d. Science of choice and how people cope with differences in wants
5. What does the existence of scarcity imply?
  - 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

6. Microeconomics deals with:
- The behaviour of the effects of individual taxes
  - The behaviour of individual firms, industries and consumers
  - Issues of a macroeconomic nature
  - The overall economy of the country
7. Which of the following involves deduction and empirical testing?
- Normative economics
  - Positive economics
  - Both normative and positive economics
  - None of the above
8. Which of the following is not a determinant of price elasticity of demand?
- Price
  - availability of complimentary goods
  - Availability of substitutes
  - Time
9. *Ceteris paribus* means
- All other things not constant
  - All other things added up
  - All other things constant
  - An economist' philosophy
10. The Law of demand depicts that
- A price falls with decreasing quantities demanded
  - Quantity demanded falls with increasing prices
  - Demand curve can never slope upwards
  - Demand curve changes with taste and preferences
11. Which worker is employed in a tertiary sector?
- a miner
  - a farmer
  - an advertiser

d. a fisher

12. Which of the following may be found in oligopoly but not monopolistic competition?

- a. advertising
- b. collusion
- c. excess capacity
- d. product differentiation

13. Monopolistic competition is best described as a market structure where:

- 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

14. Which of the following is a capital good?

- a. a fishing area
- b. a bank loan to a newly established firm
- c. a photocopying machine in a law firm
- d. a car used to transport staff

15. Given the following data:

Price of good X [US\$]	Quantity demanded for good X [Kg]
0	21
1	18
2	15
3	12
4	9
5	6
6	3
7	0

- a) Calculate the arc elasticity of demand at quantity 15 and 9 respectively. (10 marks)
- b) Comment about this arc elasticity of demand (2)

**SECTION B (ANSWER ANY TWO)****Question 2**

Using examples, give short explanatory notes on how the following key terms are used in Economics:

- a) Opportunity cost (5 marks)
- b) Consumer equilibrium (5 marks)
- c) Money (5 marks)
- d) Short run and long run (10 marks)
- e) Normative economics (5 marks)

**= 30 marks**

**OR**

**Question 3**

- a. A commodity has a supply elasticity of 0.22. What type of elasticity is it and what does it mean? (6 marks)
- b. What is an indifference curve and what characteristics are particular to such curves? (12 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)? (12 marks)

**= 30 marks**

**OR**

**Question 4**

- a. What is a ceiling price? Who benefits from a ceiling price and why? (8 marks)
- b. Using a diagram or diagrams, illustrate how a change in the income of an individual may affect an individual's budget line and consumption in turn. (10 marks)
- c. Discuss price discrimination and the factors which favour its existence under pure monopoly. (12 marks)

**= 30 marks**

**END**