UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

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

COURSE CODE: AEM 204/306

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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Question One

(a) Explain what agricultural economists mean when they discuss "scarcity" and differentiate between scarcity and poverty.   **8 MARKS**

(b) Explain what agricultural economists mean when they compare and contrast production efficiency and allocative efficiency.   **10 MARKS**

(c) What is the relationship between the bowed out shape of the production possibilities frontier and the increasing opportunity cost of a good as more of it is produced?
7 MARKS

Question Two

(a) Why does it make sense for economies to specialize according to comparative advantage and trade? What is the difference between comparative advantage and absolute advantage?   **6 MARKS**

(b) When a tax is imposed on sellers of a good, 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?   **10 MARKS**

(c) What effect does a price increase have on the total revenue of the producers?
4 MARKS

(d) If the equilibrium relative price for commodity X is E200 today, just like it was 8 years ago, can we safely say that all supply and demand conditions in the market for Sprite have remained very stable all these years?   **5 MARKS**

Question Three

(a) How is a budget line similar to a production possibilities frontier? How do they differ?   **6 MARKS**

(b) Explain why total utility is maximized when the marginal utility per lilangeni spent on all goods is equal.   **12 MARKS**

(c) Explain how changes in the price of goods and the consumer's budget affect the budget line.   **7 MARKS**

Question Four

(a) Is the marginal benefit Mr Dlamini receives from a good or service the same as the price he pays? Explain your answer.   5 MARKS

(b) What are some of the potential obstacles that can prevent a market from reaching the efficient outcome? Briefly define each obstacle.   **13 MARKS**

(c) What other curve is the same as the supply curve and why are the curves the same?
                                                                                    7 MARKS