UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

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

COURSE CODE: AEM 204

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) What is the relationship between wants, factors of production, scarcity, and choices? Discuss the relationship for an individual and for a society. **9 MARKS**

(b) Explain the connection between opportunity cost and the Production Possibility Frontier. **4 MARKS**

(c) Compare and contrast production and allocative efficiency. **12 MARKS**

Question Two

(a) Suppose Swaziland has an absolute advantage in producing sugar over all of the other sugar producing countries. Does this fact mean that Swaziland should not import any sugar from the other countries? **6 MARKS**

(b)) Define an opportunity cost and give an example of an opportunity cost that is paid in money and an opportunity cost that is not explicitly paid in money. **8 MARKS**

(c) Computers are a complement to computer software. Suppose the price of a computer falls. How does this fall in price affect the demand for computer software and the demand curve for computer software? **4 MARKS**

(d) What effect does a price increase have on the total revenue of the producers? **7 MARKS**

Question Three

(a) Explain briefly some of the potential obstacles that can prevent a market from reaching the efficient outcome? . **13 MARKS**

(b) Suppose the government imposes a price ceiling that is less than the equilibrium price. Discuss the effect, if any, on the price and quantity if the government later removes the price ceiling. **7 MARKS**

(c) "A price floor that is less than the equilibrium price leads to a shortage of the good." Is this assertion true or false? Explain your answer. **5 MARKS**

Question Four

(a) Explain why total utility is maximized when the marginal utility per dollar spent on all goods is equal. 13 **MARKS**

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

(c) Consumption possibilities are constrained by total utility. True or False? Explain. **5 MARKS**