



SUPP.2010/2011

page 1 of 2

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY 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

**DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY
THE CHIEF INVIGILATOR**

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) What is the difference between comparative advantage and absolute advantage? **7 MARKS**
- (b) Why does it make sense for economies to specialize according to comparative advantage and trade? **10 MARKS**
- (c) Why is the production possibilities frontier bowed out? **8 MARKS**

Question Three

- (a) List the factors that change demand and shift the demand curve. Tell what happens to demand and the demand curve when there is an increase in the factor. **20 MARKS**
- (b) What is the difference between quantity supplied and supply? **5 MARKS**

Question Four

- (a) Explain the effect of a price change on the total revenue of the producers? **8 MARKS**
- (b) What factors determine the magnitude of the price elasticity of demand? **7 MARKS**
- (c) Compare and contrast a price ceiling and a price floor. **6 MARKS**
- (d) In a budget line/indifference curve figure, how do you identify the best affordable combination of any two goods? **4 MARKS**