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2nd SEM. 2011/2012

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

PROGRAMME:

BSc. in Agricultural and Biosystems Engineering Yr 1
BSc. in Agricultural Economics and Agribusiness
Management Yr 1
BSc. in Agricultural Education Yr 1
BSc. in Agronomy Yr 1
BSc. in Animal Science Yr 1
BSc. in Consumer Sciences Yr 1
BSc. in Consumer Science Education Yr 1
BSc. in Food Science, Nutrition and Technology Yr 1
BSc. in Horticulture Yr 1
BSc. in Textiles Apparel Design and Management Yr 1

COURSE CODE: AEM 103

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: 1. ANSWER ALL QUESTIONS
2. EACH QUESTION CARRIES 25 MARKS
3. SHOW ALL YOUR WORKING
4. EXPLAIN YOUR GRAPHS

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Question 1

Discuss the following terms as used in economics.

(i) Implicit costs   (3 marks)
(ii) Supply   (3 marks)
(iii) Long run   (3 marks)
(iv) Demand elasticity of 2.54   (3 marks)
(v) $Y = X_1, X_2$---X_n (3 marks)
(vi) Indifference curves   (6 marks)
(vii) Stage III of production   (4 marks)

Question 2

a) Suppose the total fixed cost is E300 and units of the variable input cost E50 per unit. Using this information, complete the following table:

VI	TP	AP	MP	TFC	TVC	TC	AC	MC
1	100							
4	250							
8	360							
12	480							
16	560							
20	640							

(20 marks)

b) Discuss a price war   (5 marks)

Question 3

a) With the help of a well labelled diagram, show three points that represent same satisfaction but different expenditures
(9 marks)

b) With the aid of well labelled diagrams, show the relationship between Marginal product, Total product and Average product
(6 marks)

c)

Price	Quantity _____? (1 mark)
100	1000
50	3000
25	6000
10	10000

Calculate the arc elasticities of demand and explain what these values mean.

(9 marks)

Question 4

a) Fill in the blanks with appropriate words.

i) _____, is defined as a standard of deferred payments.

ii) _____, is simply a stock of all goods which have money value

ii) Market demand _____is the sum of all quantities demanded at each price

iv) If the elasticity of demand is = -1, demand is _____

v) Indifference curves are _____to the origin.

vi) Equation of a budget line is _____.

vii) Imposing a tax on a good, _____ supply.

viii) _____price, is when government imposes a maximum price on a commodity. It leads to a _____of that product in the market.

ix) All variables are _____in the long run.

x) _____is defined as the addition to product resulting from one extra unit of input.

(15 marks)

b) Match the following words with statements that best describe them.

(i) Negative marginal returns   1. Budget line
ii) Total fixed costs   2. Resource mobility
iii) Perfect competition   3. Stage II
iv) Price discrimination   4. Not affected by output
v) Y = XP+ YP   5. Monopoly
vi) Ceiling price   6. Variables inputs
vii) Price wars   7. Price discrimination
viii) Long run   8. Monopolistic competition
ix) Monopoly   9. Oligopoly
x) Many sellers   10. Excess demand

(10marks)