



**2<sup>nd</sup> SEM. 2012/2013**

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**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER**

**PROGRAMME:** BSc. in Agricultural & Biosystems Engineering Year 1  
BSc. in Agric. Economics and Agribusiness Management Year 1  
BSc. in Agricultural Education Year 1  
BSc. in Agronomy Year 1  
BSc. in Animal Science Year 1  
BSc. in Animal Science (Dairy) Year 1  
BSc. in Consumer Science Year 1  
BSc. in Consumer Science Education Year 1  
BSc. in Food Science, Nutrition & Technology Year 1  
BSc. in Horticulture Year 1  
BSc. in Textile & Apparel Design & Management Year 1

**COURSE CODE: AEM 103**

**TITLE OF PAPER: PRINCIPLES OF ECONOMICS**

**TIME ALLOWED: TWO (2) HOURS**

**INSTRUCTION: 1. ANSWER ALL QUESTIONS**  
**2. EACH QUESTION CARRIES TWENTY FIVE (25) MARKS**

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**Question 1**

1.1 Briefly describe the following terms used in economics;

- a. Substitute goods and give an example? (2 marks)
- b. Complementary goods and give an example. (2 marks)
- c. Marginal product (2 marks)
- d. Fixed costs (2 marks)
- e. Explicit costs (2 marks)

1.2 Briefly state the law of supply and also illustrate using a diagram a supply curve. (3)

1.3 You are given the following demand and supply schedules for beef:

<b>Price (Emalangeni)</b>	120	100	90	80	70
<b>Quantity demanded</b>	4	20	40	65	95
<b>Quantity supplied</b>	80	50	40	18	4

- a. What is the equilibrium price? (2 marks)
- b. What is the equilibrium quantity? (2 marks)
- c. What would be unsold surplus if price is set at E120? (4 marks)
- d. What will be the excess demand if the price is set at E80 (4 marks)

**Question 2**

2.1 Which of the following involves a change in quantity demanded and which involves a change in demand? In either case state the direction of the change and illustrate by a relevant diagram. What type of factor is involved in each case? How the products are (where applicable) related? (6 marks)

- (a) The lower price of stereo systems causes owners to purchase more compact discs.
- (b) The workers get a 20% wage increase and the quantity demanded of commodity X falls and the quantity demanded of commodity Y goes up per month.

2.2 Explain the relationship between average and marginal products? (6 marks)

2.3 Price takers are common under which market classification? (2 marks)

2.4 Explain what opportunity cost is. (3 marks)

2.7 Fill in the table below (8 marks)

Quantity good of X	Total Fixed Cost Emalangen	Total Variable Cost Emalangen	Total Cost Emalangen
1	100	40	
2			170
3			185
4		96	
5		104	

### Question 3

3.1 The table below gives the supply schedule for jeans.

Quantity supplied (pairs per year):	2400	2800	3200	3600
Price (Emalangen per pair):	E20	E25	E30	E35

Calculate the elasticity of supply when; the price rises from E125 to E135 a pair and comment about your answer. (5 marks)

3.2 Briefly describe the three (3) stages of production with the aid of a diagram. (5)

3.3 A 20 percent increase in the quantity of pizza demanded results from a 10 percent decline in its price. Calculate the price elasticity of demand for pizza and comment about your answer (5 marks)

3.4. Explain what price discrimination means and also state under which market it is commonly applied. (5 marks)

3.5 Use a diagram to describe a kinked demand curve. (5 marks)

### Question 4

4.1 What is the difference between short-run and long-run? (6 marks)

4.2 List the factors of production? (4 marks)

4.3 Mr. Dlamini's farm initially produces 20 tons of maize at an average total cost of E8,000 per ton. Production was then increased to 21 tons and the production of the additional ton reduced the average total cost to E7,900. Calculate the marginal cost of the additional ton. (9 marks)

4.4 Differentiate between pure monopoly and monopolistic competition (6 marks)