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) With help of a relevant diagram compare and contrast production and allocative efficiencies. **10 MARKS**

(b) Briefly explain the relationship between the price paid by the consumer and the marginal benefit derived from consumption of a particular good. **6 MARKS**

(c) Suppose input X is used in the production of commodity Y. Therefore the demand of commodity Y will increase if the price of its input A declines resulting into an increase in the price of B. Explain if True or False. **9 MARKS**

Question Two

(a) Explain the effect on the price and quantity of a product if there is a simultaneous decrease in its demand and an increase in its supply **6 MARKS**

(b) Assume the number of companies selling computer software decreases. How does this change affect the supply of computer software and the supply curve of computer software? **7 MARKS**

(c) Explain the difference between marginal cost and marginal benefit. **6 MARKS**

(d) Would country X be regarded as rational if it has absolute advantage in some goods and yet it still continues importing them from other countries? **6 MARKS**

Question Three

(a) Discuss the inefficiencies created by a price floor? **10 MARKS**

(b) Explain the effect of a price increase on the total revenue of the producers?
10 MARKS
(c) Compare and contrast a price floor and a price ceiling **5 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. **10 MARKS**

(b) Explain the relationship between the incidence of a tax and elasticity. **10 MARKS**

(c) In a budget line/indifference curve figure, just identify by labeling the best and worst combinations of any two goods when you have E1000 to spend on them. **5 MARKS**