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2nd SEM. 2013/2014

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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) Explain what you understand by opportunity cost and then provide an example of an opportunity cost that is paid in emalangenzi and another that is not explicitly paid for.

8 MARKS

(b) 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? Support your answer with a simple example.

12 MARKS

(c) Briefly explain the connection between opportunity cost and the *PPF*. **5 MARKS**

Question Two

(a) Computers and computer softwares are complements. Explain with help of relevant diagrams the fall in price of computers. **9 MARKS**

(b) A fire destroys some factories that produce milk and the quantity of milk supplied decreases by 10000 litres a week at each price. Explain what happens in the market for milk and illustrate the changes with help of a diagram. **9 MARKS**

(c) The following shows your willingness as a milk producer to exchange the milk with other items:

- A. 1 litre of milk for 1 kg of beef
- B. 2 litres of milk for 1 kg of sugar
- C. 4 litres of milk for 1 kg of maize flour
- D. 8 litres of milk for 1 kg of honey

(i) What is the relative price of sugar in terms of maize flour **2 MARKS**

(ii) If the money price of beef is E50 per kg, what do you predict was the price of sugar **2 MARKS**

(iii) If the money price of beef was E50 per kg and the money price of honey was E500, do you think anyone would accept your offer of milk for honey? **3 MARKS**

Question Three

(a) Briefly explain the main influences on the elasticity of demand and supply that make the demand and supply of some goods elastic or inelastic. **16 MARKS**

(b) Explain the effect of a price increase on the total revenue of the producers? **9 MARKS**

Question Four

Discuss briefly the potential obstacles that can prevent a market from reaching the efficient outcome. **25 MARKS**