

79



SUPP. 2013/2014

page 1 of 3

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. **12 MARKS**

(b) Explain what agricultural economists mean when they compare and contrast production efficiency and allocative efficiency. **13 MARKS**

Question Two

(a) What is the difference between comparative advantage and absolute advantage? Explain. **12 MARKS**

(b) 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? Explain. **13 MARKS**

Question Three

(a) Explain the relationship between the tax incidence and elasticity. **13 MARKS**

(b) Discuss the inefficiencies created by imposition of a price floor. **12 MARKS**

Question Four

The table below shows the demand and supply schedules for the market for tobacco in country X. A tax on tobacco of 75 cents per kg on suppliers is proposed and the government asks you to examine the effects of this tax.

Price (Emalangeneni per kg)	Quantity demanded(kgs per week)	Quantity supplied(kgs per week)
1	480	0
2	360	0
3	240	240
4	120	480
5	0	720

- (i) Draw the demand and supply curves. If there is no tax on tobacco, what is the price and how many kgs are sold? **5 MARKS**
- (ii) With the tax, what is the price that consumers pay? What is the price that sellers receive? How many kgs of tobacco are sold? **5 MARKS**
- (iii) What is the government's total tax revenue? How much of the 75 cents per kg tax is paid by the buyers? How much is paid by sellers? **5 MARKS**
- (iv) If there are no external costs and benefits, what is the efficient level of tobacco production? **5 MARKS**
- (v) If the tax is imposed, will the level of production be efficient? Why or why not? **5 MARKS**