



UNIVERSITY OF SWAZILAND

Department of Agricultural Economics & Management

FINAL EXAMINATION PAPER

PROGRAMME: BSc. Agricultural Bio-systems Engineering
BSc. Agric. Economics and Agribusiness Management
BSc. Agricultural Education and & Extension
BSc. Agronomy
BSc. Animal Science
BSc. Animal Science (Dairy)
BSc. Consumer Science
BSc. Consumer Science Education
BSc. Food Science, Nutrition & Technology
BSc. Horticulture
BSc. TADM

COURSE CODE: AEM 103

TITLE OF PAPER: PRINCIPALS OF ECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION:

1. ANSWER ALL QUESTIONS
2. WRITE YOUR ANSWERS IN THE PROVIDED EXAMINATION ANSWER FOLDER.
3. WRITE THE LETTER OF CORRECT MULTIPLE CHOICE ANSWERS IN THE PROVIDED ANSWER FOLDER.

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CHIEF INVIGILATOR**

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SECTION A: MULTIPLE QUESTIONS**(TICK THE MOST APPROPRIATE ANSWER, & EACH QUESTION CARRIES 2 MARKS)**

1. Suppose a firm is producing 100 units of output, incurring a total cost of E10 000 and total variable cost of E6000. It can be concluded that average fixed cost is
 (A) E40. (C) E100.
 (B) E60. (D) E160.
 (E) E4000.
2. A monopoly is a market
 (A). with one seller, and that seller is a price taker. (C) with one buyer, and that buyer is a price taker.
 (B). with one seller, and that seller sets the price. (D). with one buyer, and that buyer sets the price.
3. If you know that with 8 units of output, average fixed cost is E12.50 and average variable cost is E81.25, then total cost at this output level is:
 (A) E93.75. (C) E750
 (B) E97.78. (D) E880.
4. The opportunity cost of using an asset is zero if
 (A) the asset was given to the firm for free. (C) the asset is already owned by the firm.
 (B) no money was spent to acquire the asset. (D) the asset has zero sunk costs associated with it.
 (E) the asset has no alternative uses.
5. With fixed costs of E400, a firm has average total costs of E3 and average variable costs of E2.50. Its output is:
 (A) 200 units. (C) 800 units.
 (B) 400 units. (D) 1,600 units.
6. When marginal cost is rising, we know that
 (A) average fixed cost must be rising. (C) average variable cost must be rising.
 (B) marginal product must be falling. (D) average total cost must be rising.
 (E) marginal product must be zero.
7. In the table showing the production possibilities, what is the opportunity cost of increasing the production of toys from 450 to 600?

Cars	Toys
50	0
40	250
30	450
20	600
10	700
0	750

- (A) 30 cars (C) 10 cars
 (B) 20 cars (D) 0 cars

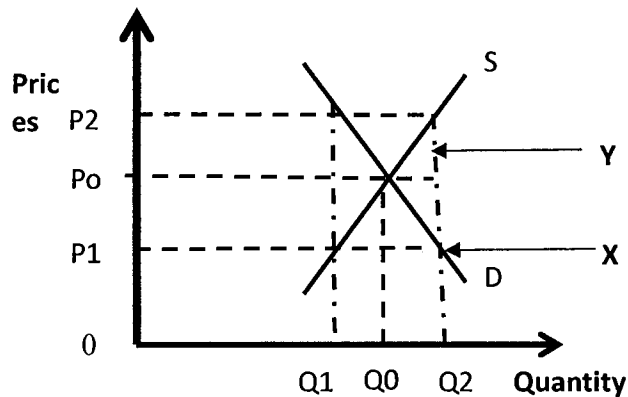
8. Mr. Dlamini enjoys bread and fat cakes. At what point does he experience the consumer equilibrium for both bread and fat cake:
 (A) $MU_1/P_1 = MU_2/P_2$ (C) $MU_1/Q_1 = MU_2/Q_2$
 (B) $MU_1 = MU_2$ (D) $P_1 = P_2$
 (E) B & C.

9. The marginal utility of boiled green mealies is 30 units and queen cakes are 45 units, if the price of queen cakes is E1.5, what will be the price of green mealies?

- (A) 2 units. (C) 1.50 units.
 (B) 1 units. (D) 2.5 units.
 (E) None of the above.

10. Using the diagram below, what step can be done by price policy makers to prevent big companies from exploiting consumers, especially during famine.

- (A) Y= Price ceiling (B) Y= Price floor
 (C) X = Price floor (D) X = Price ceiling



11. The price determined by the forces of demand & supply, such that quantity supplied is equal to quantity demanded is called?

- (A) Absolute market price (C) Equilibrium price
 (B) Exact market price (D) Economic price

12. The change in total output resulting from a change in the labour input in any production process is:

- (A). Average total productivity of labour (C). Average variable productivity of labour
 (B). Marginal productivity of labour (D). The fixed physical productivity of labour

13. A production function can be best describes as?

- (i) It is a purely technological relationship between quantities of input and output.
 (ii) It represents the technology of an organisation, sector of an economy.
 (iii) Prices of inputs or of the output do not enter into the production function.
 (iv) It is a flow concept describing the transformation of inputs into output per unit of time.
 (A) (i),(iii) and (iv) (C). (i) and (iv)
 (B). (i) and (ii) (D). all of the above accept B
 (E) All the above answers

14. Holding other factors constant, the production stage where marginal returns are positive but falling is called

- (A). diminishing marginal utility (C). constant marginal returns.
 (B). diminishing returns (D). Decreasing marginal returns.

15. A firm faces the following long run average cost function; $AC = 100Y - 20Y^2 + 450Y$. Average Cost, (AC) is at minimum when
- (A). $q = 11, AC = 200$. (C). $q = 11, AC = 1350$.
(B). $q = 121, AC = 13530$. (D). $q = 20, AC = 50$.
16. Explicit costs can be described as:
- (A) Frequently overlooked when computing the expenses of the firm
(B) Noticeable payments for resources purchased outright or hired by the firm
(C) Implicit payments for resources purchased outright or hired by the firm
(D) The costs of self-owned, self-employed resources
17. Which of the following statement is not part of the first stage of the production curves?
- (A) Marginal Product (MP) is positive
(B) AP is greater than MP
(C) MP is increasing at an increasing rate then decreases
(D) Total Product (TP) is increasing
(E) All the above statements
18. Economics deals primarily with the concept of
- (A) poverty. (C) change.
(B) scarcity. (D) power.
19. Normative statements are
- (A) descriptive, making a claim about how the world is.
(B) statements about the normal condition of the world.
(C) prescriptive, making a claim about how the world ought to be.
(D) statements which establish production goals for the economy.
20. A decrease in supply is represented by
- (A). a movement downward and to the left along a supply curve.
(B). a movement upward and to the right along a supply curve.
(C). a rightward shift of a supply curve.
(D). a leftward shift of a supply curve.
21. Giffen good can be described in economic terms as:
- (A) An inferior good whose demand increases with increases in income
(B) An intangible things that aid production and make life comfortable
(C) A good whose consumption decreases as incomes increase
(D) A good collectively used by everyone in the society
22. Assume that the market for bread begins in equilibrium. Then, there is a decrease in a price of Wheat flour used in the production of bread. When the new equilibrium is reached,
- (A) the price and quantity of bread will both have risen
(B) the price and quantity of bread will both have fallen
(C) the price of bread will have risen and the quantity will have fallen
(D) the price of bread will have fallen and the quantity will have risen

23. Among variables that affect quantity demanded,represents a movement along the demand curve.
- (A) Price (C) Number of buyers
(B) Taxes (D) Prices of substitutes
24. If total product is at a maximum, then
- (A) marginal product must be greater than zero and must be falling.
(B) marginal product must be falling and be equal to zero.
(C) average product must be rising and must lie above marginal product.
(D) average product must be falling and be equal to zero.
(E) average product must equal marginal product.
25. A technological advance will shift the
- (A). supply curve to the right. (C). demand curve to the right.
(B). supply curve to the left. (D). demand curve to the left.
26. If all resources used in the production of a product are increased by 20 percent and output increases by 20 percent, then there must be:
- (A) economies of scale. (C) constant returns to scale.
(B) diseconomies of scale. (D) increasing average total costs.
27. The market structure in which entry into the industry is the most hardest is:
- (A). perfect competition (C). Oligopoly
(B). monopolistic competition (D). pure monopoly
28. Each of the following is a condition necessary for the existence of perfect competition except:
- (A) the product must have many sellers and buyers available.
(B) the product being offered by one competing firm must be identical to those offered by other firms
(C). buyers must have easy access to information and prices available
(D). prohibitive barriers to entry in the industry must exist
29. The largest 3 or 4 firms in an industry produce 70% or more of the industry's total output, the industry is classified as:
- (A). perfect competition (C). monopolistic competition
(B). pure monopoly (D). oligopoly
30. A shortage exists in a market if
- (A). there is an excess supply of the good.
(B). the situation is such that the law of supply and demand would predict a decrease in the price of the good from its current level.
(C). the current price is below its equilibrium price.
(D). quantity supplied exceeds quantity demanded.

SECTION B

Qn. 1 Identify at least five (5) determinants of price elasticity of demand

(5 marks)

Qn 2. List five (5) determinants of elasticity of supply

(5marks)

Qn 3. Calculate the price elastic of demand of good X and cross elasticity of demand XY using the information provided in the Table below.

Good X	Good Y	Price X	Price Y	Price Elasticity of Demand for good X	Cross elasticity of Demand e^{xy}
2	10	60	30		
3	12	55	26		
4	14	50	22		
5	16	45	18		
6	18	40	16		
7	20	35	12		

(10marks)

Qn4. Given the Average Variable Cost (AVC) equation: $AVC = Y^2 - 2Y + 2$,

(i) Derive the total Variable cost (TVC) and Marginal Cost (MC) equations

(ii) At What level of the Output is the AVC at a minimum, and the value of AVC?

(iii) At what level of the Output is the MC at a minimum, and the value of MC?

(12 marks)

Qn5. Give four (4) importance of agriculture in the development of Swaziland

(4 Marks)

Qn.6. list at least four (4) possible ways of improving Swazi Agricultural performance

(4 Marks)