74

2nd SEM. 2014/2015

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

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY THE CHIEF INVIGILATOR

75

Question One

(a) Discuss the relationship between wants, factors of production, scarcity, and choices for an individual and for a society. **9 MARKS**

(b) Compare and contrast production and allocative efficiency with regard to a production possibility frontier. . **9 MARKS**

(c)
Table 1

POINT	Production of good X	Production of good Y
A	0	40
B	3	36
C	6	28
D	9	16
E	12	0

(i) Which of the following is an example of a point that is unattainable **3 MARKS**
(1) 0 units of good X and 40 units of good Y
(2) 6 units of good X and 28 units of good Y
(3) 10 unit of good X and 16 units of good Y
(4) 3 units of good X and 35 units of good Y

(ii) What is the opportunity cost of increasing the production of X from 0 to 3 units? **4 MARKS**

Question Two

(a) Country X has an absolute advantage in producing sugar over all of the other sugar producing countries and it should therefore only export sugar to the other countries. True or false? Explain. **7 MARKS**

(b) Goods X and Y are complements. Suppose the price of good X falls. With help of relevant figures, explain the effect of this fall on both goods. **8 MARKS**

(c) Explain the effect of a price increase of good X on the total revenue of the producers of good X? **10 MARKS**

Question Three

(a) Briefly explain the potential obstacles that can prevent a market from reaching the efficient outcome. **13 MARKS**

(b) Explain with help of relevant diagrams the effects of the government imposing a price ceiling on good X and a price floor on good Y. **12 MARKS**

76

Question Four

(a) Assume A is used in the production of B. If the price of A falls, the demand for B will increase, implying that consumers will buy more of B and the price of B will go up. True or False? Discuss. **12 MARKS**

(b) When a tax is imposed on sellers of a good, the resulting rise in the equilibrium price is usually less than the amount of the tax itself. Why doesn't the equilibrium price rise by the full amount of the tax? Discuss. **13 MARKS**