

**THE UNIVERSITY OF SWAZILAND**



**FACULTY OF AGRICULTURE AND CONSUMER SCIENCES**

**FINAL EXAMINATION PAPER**

**PROGRAMMES:** B.Sc. in Agric. Economics and Agribusiness Management Yr1  
B.Sc. in Agricultural and Biosystems Engineering Yr1  
B.Sc. in Agricultural Education Yr1  
B.Sc. in Agronomy Yr1  
B.Sc. in Animal Science Yr1  
B.Sc. in Animal Science (Dairy) Yr1  
B.Sc. in Consumer Science Yr1  
B.Sc. in Consumer Science Education Yr1  
B.Sc. in Food Science, Nutrition and Technology Yr1  
B.Sc. in Horticulture Yr1  
B.Sc. in Textile and Apparel Design and Management Yr1

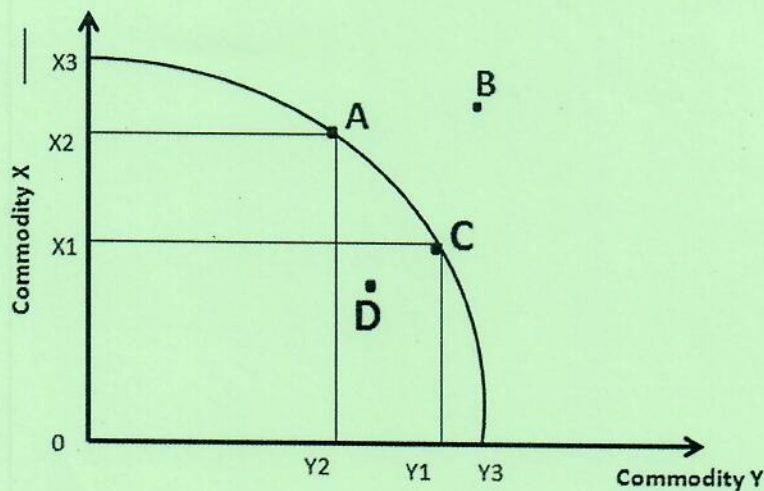
**COURSE CODE:** AEM 102  
**TITLE OF PAPER:** PRINCIPLES OF ECONOMICS  
**TIME ALLOWED:** TWO HOURS

**INSTRUCTIONS:** ANSWER ALL QUESTIONS

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GRANTED BY THE CHIEF INVIGILATOR**

**Question One [25 Marks]**

- a. At one instance, the price of good X rose from E10.00 to E15.00 while the quantity demanded for good X fell from 25 units to 10 units. Calculate the elasticity of demand and state what the results mean. [5]
- b. On the Production Possibility Frontier (PPF) of commodity X and Y below, state what the letters labeled A to D represent. [5]



- c. Define the following terms:
- Opportunity Cost [3]
  - Demand [3]
- d. Discuss with the aid of examples where possible how the following factors affect the demand of a commodity:
- Increase in consumer's income [3]
  - Increase in the price of complements [3]
  - Increase in the price of substitutes [3]

**Question Two [25 Marks]**

- a. With the aid of a diagram and examples, show and discuss:
  - i. Perfect elasticity of demand [5]
  - ii. Perfect inelasticity of demand [5]
- b. Discuss with the aid of a diagram the floor price and the ceiling price. Also state and indicate their market effects. [10]
- c. State the law of diminishing marginal utility [5]

**Question Three [25 Marks]**

- a. Copy and complete the table below by calculating the Average Physical Product (APP) and the Marginal Physical Products (MPP). [15]

<b>Input</b>	<b>Total Physical Product</b>	<b>Average Physical Product</b>	<b>Marginal Physical Product</b>
2	4		
4	10		
6	18		
8	20		
12	24		

- b. Using a well labeled diagram, indicate and explain the three stages of production. [10]

**Question Four [25 Marks]**

- a. List five (5) characteristics of a perfect competition market. [5]
- b. State whether the following statements are true or false:
  - i. Implicit costs are the sum of all the uncalculated costs of an enterprise.[1]
  - ii. Average variable costs are always increasing with increase in output.[1]
  - iii. Marginal Cost is inversely related to Marginal Product. [1]
  - iv. Stage III is the Economic Region of production theory. [1]
  - v. The indifference curve is concave to the origin.[1]
- b. List five challenges faced by the Swazi-agro industry. [5]
- c. State the differences between a Monopoly and a Monopolistic Competition.[10]