



UNIVERSITY OF SWAZILAND

RE-SIT/SUPPLEMENTARY EXAMINATION PAPER

PROGRAMME: BSc. in Agricultural Economics and Agribusiness Management Year 1
BSc. in Agronomy Year 1
BSc. in Animal Science Year 1
BSc. in Animal Science (Dairy) Year 1
BSc. in Horticulture Year 1
BSc. in Consumer Sciences Year 1
BSc. in Consumer Sciences Education Year 1
BSc. in Food Science, Nutrition and Technology Year 1
BSc. in Textiles Apparel Design and Management Year 1
BSc. in Agricultural Biosystems and Engineering Year 1
BSc. in Agricultural Education Year 1
BSc. in Agricultural Extension Year 1

COURSE CODE: AEM 102

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

TIME ALLOWED: TWO (2): HOURS

INSTRUCTIONS:

1. ANSWER ALL FOUR QUESTIONS IN ANSWER SHEET- EACH QUESTION CARRIES 25 MARKS
2. FOR THE MULTIPLE CHOICE QUESTIONS WRITE THE NUMBER AND ANSWER, FOR EXAMPLE i): B.
3. FOR THE TRUE OR FALSE QUESTIONS WRITE THE NUMBER AND ANSWER, FOR EXAMPLE i): FALSE.

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Question 1

Choose the most appropriate answer. Each question carries 2.5 marks

- i. Efficiency is best defined as
 - A. The means through which society get benefits
 - B. The property of reallocating benefits acquired through scarce resources
 - C. The means through which society get goods and services
 - D. The property of society getting the most it can from its scarce resources

- ii. What are the two main subfields into which economics is divided?
 - A. Geoeconomics and Econophysics
 - B. Applied economics and complexity economics
 - C. Microeconomics and macroeconomics
 - D. Health economics and cultural economics

- iii. Marginal cost
 - A. Is equal to total cost divided by price
 - B. Is the increase in total cost from an increase in variable and fixed cost
 - C. Is the additional cost due to the variable cost
 - D. Is the increase in total cost that arises from an extra unit of production

- iv. Implicit costs are
 - A. Costs that require an outlay of money by the firm
 - B. Costs that do not require an outlay of money by the firm
 - C. Costs that are incurred by the firm
 - D. Costs that are reflected by accountants

- v. A competitive firm
 - A. is a price maker
 - B. is a price setter
 - C. is a price taker
 - D. is a price determiner

- vi. A monopoly is a market
 - A. With one seller and that seller is a price taker
 - B. With one buyer and that buyer is a price taker
 - C. With one seller and that seller sets the price
 - D. With one buyer and that buyer sets the price

- vii. 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 the average variable cost is
 - A. 60
 - B. 40
 - C. 100
 - D. 40000

Given the following demand and supply schedules for beef, answer the following questions:

Price (Emalangen)	Quantity Supplied	Quantity Demanded
10	25 000	50 000
16.25	37 500	37 500
20	45 000	30 000

- viii. What is the equilibrium price
- E10
 - E15
 - E16.25
 - E20
- ix. What is the equilibrium quantity
- 50 000
 - 25 000
 - 30 000
 - 37 500
- x. If the price is set at E20, what would be the unsold surplus?
- 30 000
 - 20 000
 - 37 500
 - 15 000

Question 2

25 MARKS

State whether the statement is True or False. Each question carries 2.5 marks

- Technological advancement will cause an inward shift of the production possibilities frontier.
- In a competitive market there are many buyers and few sellers.
- The producer surplus is the area above the price and above the supply curve.
- If the price elasticity of demand is equal to 0.3, it is inelastic.
- The government of Swaziland should set a price ceiling on rent that is below the equilibrium price in order to help the poor through making housing more affordable to the poor.
- Marginal rate of substitution is the rate at which a consumer is willing to trade one good for another.
- Social cost is the private costs of the producers less the costs to those bystanders affected adversely by the negative externality.
- Implicit costs are costs that require a direct outlay/expenditure of money by the firm's Owner(s).

- ix. The production function shows how the quantity of output of a good depends on the quantity of inputs used to make that good.
- x. Governments can sometimes improve market outcomes.

Question 3

- a) The Circular-flow diagram is a visual model of the economy showing how dollars flow through markets among households and firms. Can you show using a diagram how the economy is organized and how participants in the economy interact with one another using the Circular-flow diagram? **15 MARKS**

- b) What is an indifference curve and what are the four properties of indifference curves?

10 MARKS

Question 4

- a) Discuss using well labeled graphs plus appropriate examples, how price floors affect market outcomes. **15 MARKS**

- b) Using graphs draw the indifference curves for two goods that are (i) perfect substitutes (ii) perfect complements. Also give examples of the two goods in each case. **10 MARKS**