4

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER 2005

TITLE OF PAPER   :   INTRODUCTION TO ECONOMICS

COURSE CODE   :   ECON 101/IDE-ECON 101-1-2

TIME ALLOWED   :   THREE (3) HOURS

INSTRUCTIONS   :   1. ANSWER <u>FOUR</u> QUESTIONS:

<u>TWO</u> QUESTIONS FROM
SECTION A AND <u>TWO</u>
QUESTIONS FROM SECTION B.

2. ALL QUESTIONS CARRY
EQUAL MARKS OF 25 (TWENTY
FIVE) EACH.

DO NOT OPEN THIS PAPER UNTIL THE INVILATOR HAS GRANTED
PERMISSION.

SECTION A

Question 1

a) Discuss the main determinants of the market supply of maize in Swaziland.

(10 Marks)

b) Using an appropriate diagram, explain the three stages of production, and indicate on the diagram where exactly the law of diminishing returns starts to be operative.

(15 Marks)

Question 2

a) Discuss whether the elasticity of demand for salt exceeds unity with respect to its own price, prices of related products, and consumer income. (15 Marks)

b) Discuss the main determinants of elasticity of supply of bread per day in Swaziland. (10 Marks)

Question 3

a) What do you understand by the term 'Equilibrium' in commodity markets?

(7 Marks each)

b) Using suitable diagram(s), discuss any one application of equilibrium analysis.

(18 marks)

Question 4

a) With the aid of a diagram, show exactly where firms can maximize their profits.

(10 Marks)

b) Discuss factors giving rise to internal economies of scale. (15 Marks)

SECTION B

Question 5

a) Distinguish between a public sector and a private sector.   (5 marks)

b) What arguments would you advance in favour of the public sector in Swaziland?
(20 Marks)

Question 6

Write short, explanatory notes on the following terms:

    a) Inflation
    b) Employment vs. Unemployment
    c) Net Property Income from Abroad
    d) Macroeconomic policy
    e) Gross Domestic Product (GDP) vs. Gross National Product (GNP)

Question 7

a) Discuss four determinants of investment in Swaziland.   (12 Marks)

b) "Yields on investment projects are difficult to estimate". Discuss(7 Marks)

c) Explain two ways of calculating or comparing the expected yield of an investment
to its cost.   (6 Marks)

Question 8

Show algebraically,

        a) The derivation of the multiplier in a model with an income tax.

(15 Marks)
        b) That the balanced budget multiplier is equal to 1.
(10 Marks)