

UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER 2006

TITLE OF PAPER : INTRODUCTION TO ECONOMICS

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

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS : 1. ANSWER FOUR QUESTIONS:

TWO QUESTIONS FROM SECTION A AND TWO 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

Discuss the meaning and significance of the following economic terms.

(5 Marks each)

- a) Opportunity cost
- b) Efficiency vs. equity
- c) Positive vs. normative economics
- d) Marginal Rate of Transformation (MRT)
- e) Economic systems

Question 2

a) Discuss the factors that influence demand for bread in Swaziland. (12 Marks)

b) Distinguish between 'movements along demand curves' and 'shifts of the demand curves'. (13 Marks)

Question 3

a) Briefly distinguish between equilibrium and disequilibrium analysis.

(7 Marks)

b) 'Disequilibria can persist in markets' Discuss

(18 marks)

Question 4

a) Distinguish between fixed and variable costs of production.

(5 Marks)

b) Using a diagram, explain the following cost concepts.

(5 Marks each)

- a) Average Fixed Costs (AFC)
- b) Average Variable Costs (AVC)
- c) Average Total Costs (ATC)
- d) Marginal Costs (MC)

SECTION B

Question 5

- a) Explain the demerits of using user charges in the fields of education and health services. (15 Marks)
- b) Using a diagram define the concept 'excess burden'. (10Marks)

Question 6

Write short, explanatory notes on the following terms:

(5 Marks each)

- 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) Explain three major assumptions of the Classical theory of full- employment. (7 Marks)
- b) Outline the Say's Law. (18 Marks)

Question 8

- a) Discuss three ways of measuring National Output. (15 Marks)
- b) Explain how double-counting can be avoided in the calculation of.
- a) National Product
 - b) National Expenditure
 - c) National Income
- (10 Marks)