

**UNIVERSITY OF SWAZILAND**

**FINAL EXAMINATION PAPER 2007**

**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 terms.

(5 Marks each)

- a) Basic Economic Problem
- b) Social Welfare
- c) Efficiency vs. equity
- d) Microeconomics vs. Macroeconomics
- e) Positive vs. Normative Economics

### Question 2

a) Distinguish between a 'supply function' and a 'production function'.

(7 Marks)

b) Discuss the factors that determine supply for maize in Swaziland.

(18 Marks)

### Question 3

a) List and explain briefly seven (7) assumptions of the model of Perfect Competition. (7 Marks)

b) Briefly explain why it is important for a firm to know its Marginal Revenue (MR) and its Marginal costs (MC). (6 Marks)

c) Discuss the profit maximization rule where the MC curve cuts the MR curve twice. (12 Marks)

### Question 4

a) What do you understand by the term 'Disequilibrium' in a market? (5 Marks)

b) Under what circumstances can disequilibria persist in the market? (20 Marks)

## **SECTION B**

### **Question 5**

Explain the meaning of the following terms.

(5 Marks each)

- a) Employment vs. Unemployment
- b) Gross Domestic Product (GDP) vs. Gross National Product (GNP)
- c) Aggregate Demand (AD)
- d) Inflation
- e) Balance of Payment (BOP)

### **Question 6**

Outline the Classical Theory of Full Employment and its criticism.

(25 Marks)

### **Question 7**

- a) What do you understand by the term 'Monetary Policy'?

(5 Marks)

- b) Explain the role of a Central Bank.

(20 Marks)

### **Question 8**

Discuss major determinants of investment in Swaziland.

(25 Marks)