UNIVERSITY OF SWAZILAND

SUPPLEMENTARY 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 economic terms.

(5 Marks each)

  a) Cardinal vs. Ordinal Utility
  b) Marginal Rate of Substitution (MRS)
  c) Consumer Equilibrium
  d) Price Consumption Curve
  e) Consumer Surplus

Question 2

a) Distinguish between a 'Giffen good' and a 'Veblen good'(10 Marks)

b) What are the main determinants of price elasticity of supply?(15 Marks)

Question 3

a) Explain the meaning of the term 'Elasticity of Supply'.   (7 Marks)

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

(18 Marks)

Question 4

a) Discuss the factors that distinguish a monopoly from a monopolistic firm.

(10 Marks)

b) 'A monopolist may be able to enjoy above normal profits in the long-run' Discuss

(15 Marks)

SECTION B

Question 5

Discuss the rationale for the public sector existence in a society.

(25 Marks)

Question 6

Write short, explanatory notes on the following terms:

(5 Marks each)

a) Macroeconomic Policy
b) Gap Analysis
c) Deflationery Gap vs. Inflationery Gap
d) Fiscal Policy vs. Monetary Policy
e) Expansionery Fiscal Policy

Question 7

a) Explain the meaning of the term 'Multiplier'.　　(5 Marks)
b) Derive algebraically the multiplier in a model with lump-sum tax.

(20 Marks)

Question 8

a) What do you understand by the term 'Money'?　　(5 Marks)

b) Explain the four functions of money.　　(20 Marks)