

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION 2007

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

COURSE CODE: ECON 101

INSTRUCTIONS:

- 1. ANSWER ANY FOUR QUESTIONS**
- 2. ALL QUESTIONS CARRY 25 MARKS EACH.**

TIME ALLOWED : THREE (3) HOURS

THIS PAPER IS NOT TO BE OPENED UNTIL PERMISSION HAS BEEN GRANTED BY THE INVIGILATOR.

Question 1

Using suitable diagrams compare and contrast the following economic concepts:

- i. Change in demand versus a change in quantity demanded.
[6 marks]
- ii. Income Consumption curve versus a Price Consumption Curve
[6 marks]
- iii. Income effect versus the substitution effect of a price change
[6 marks]
- iv. A demand curve faced by a perfectly competitive firm versus a demand curve faced by a pure monopolist.
[7 marks]

Question 2

a) Elasticity is said to be a unit free measure. Explain [5 marks]

b) Consider the following data for commodity X:

Price (E):	2	4	6	8	10	12
Quantity Demanded	100	80	60	40	20	0

- i. Calculate the price elasticity of demand when the price is E6 and when the price is E10.
[6 marks]
- ii. Calculate the price elasticity of demand in the following ranges:
 - I. E4 – E8 [4 marks]
 - II. E8 – E10 [4 marks]
- iii. Suppose now that a rise in real income causes quantity demanded to increase by 50 units per month at every price level. Calculate the price elasticity of demand when the price is E4 and when the price is E10.
[6 marks]

Question 3

- a) Using a Production Possibility Frontier depicting increasing opportunity costs, explain the Marginal Rate of Transformation. [8 Marks]
- b) With the aid of diagrams, discuss characteristics of indifference curves. (The discussion should include a detailed explanation of the concept of diminishing Marginal Rate of Substitution). [12 marks]
- c) Using an isoquant map, demonstrate producer equilibrium. [5 marks]

Question 4

- a) Discuss the functions of money [15 marks]
- b) List five methods available to a central bank for controlling the supply of money. [10 marks]

Question 5

- a) Describe the rationale for the public sector [10 marks]
- b) The Swaziland economy is dualistic in nature at two levels. Discuss [15 marks]

Question 6

- a) Compare and contrast views of Classical economists with those of Keynesian economists. [13 marks]
- b) Discuss the functions of the Central Bank of Swaziland. [12 marks]

Question 7

- a) Discuss the three major approaches to measuring national output. [15 marks]

b) Discuss the uses of National Output figures.

[10 marks]