

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION PAPER, JULY 2008

- TITLE OF PAPER** : **INTRODUCTION TO ECONOMICS**
- COURSE CODE** : **ECON 101/IDE-ECON 101-1 & 2**
- TIME ALLOWED** : **THREE (3) HOURS**
- INSTRUCTIONS** :
- 1. ANSWER FOUR (4) QUESTIONS: TWO FROM SECTION A AND TWO FROM SECTION B.**
 - 2. ALL QUESTIONS CARRY EQUAL MARKS OF TWENTY FIVE (25) EACH.**

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

SECTION A**QUESTION 1**

- (a) What do you understand by the term 'Economies of scale'? [7 marks]
- (b) Compare the scope for the attainment of economies of scale in the Swaziland Television and Broadcasting Corporation (STBC) with that in Hair-cutting at the Manzini market place. [18 marks]

QUESTION 2

Define the following concepts and comment on their importance in economic theory. [5 marks each]

- (a) Production Possibility Frontier
(b) Price elasticity of demand
(c) Consumer Surplus
(d) Isoquants
(e) Consumer Equilibrium

QUESTION 3

- (a) Explain the law of diminishing returns. [6 marks]
- (b) Using a suitable diagram, explain the three stages of production. [12 marks]
- (c) Using the diagram in b) above, show the relationship between three (3) curves (AP, MP, and the AP curves). [7 marks]

QUESTION 4

- (a) What is meant by the term 'Price Discrimination'? [7 marks]
- (b) 'A monopolist may be able to maintain above normal profits in the Long-run'. Discuss. [18 marks]

SECTION B**QUESTION 5**

(a) Write short explanatory notes on the following; [5 marks each]

- i. Real Sector vs Money sector
- ii. Fiscal policy vs. Monetary policy
- iii. Inflationary gap vs. Deflationary gap
- iv. Injections vs Withdrawals
- v. Marginal Propensity to Save

QUESTION 6

Keynes, Friedman and Duesenberry make a series of assumptions in their hypotheses regarding the relationship that exist between consumption (C) and income (Y). Explain these assumptions and discuss their importance to the theories. [25 marks]

QUESTION 7

(a) 'Money can be defined in terms of its functions'. Discuss . [10 marks]

(b) What methods can a Central Bank use to control money supply? What are the limitations of these methods in the context of the Swaziland economy? [15 marks]

QUESTION 8

Outline the nature and historical origins of the structural characteristics of the Swaziland economy within a dualistic framework. [25 marks]