

**UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS**

SUPPLEMENTARY EXAMINATION PAPER: JULY 2009

**TITLE OF PAPER : INTRODUCTION TO ECONOMICS
COURSE CODE : ECON 101/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

Discuss the meaning and significance of the following economic terms.

- a) Law of demand
- b) Engel Curves
- c) Isocost line
- d) Law of diminishing returns
- e) Perfectly inelastic supply

[5 marks each]

Question 2

- a) What are the three basic economic questions that all economies must answer?
[7 marks]

- b) What are the major characteristics of a capitalist economic system? How does the decision process when handling the basic economic questions differ between a market economy and a command economy?
[18 marks]

Question 3

Describe the nature of each of the following phenomena and discuss the factors giving rise to each one:

- a) Internal Economies of Scale [12 marks]

- b) External Economies of Scale [7 marks]

- c) Internal Diseconomies of Scale [6 marks]

Question 4

- a) Describe the characteristics of perfect competition. [7 marks]

- b) Describe the characteristics of monopoly. [8 marks]

- c) Compare and contrast perfect competition with monopolistic competition. [10 marks]

SECTION B

Question 5

- a) Using appropriate graphs, explain and illustrate the difference between a Proportional, Progressive, and Regressive type of tax. [9 marks]
- b) Discuss four desirable characteristics of a good tax system. [16 marks]

Question 6

Compare and contrast the Classical theory of full employment with the Keynesian theory of employment. [25 marks]

Question 7

- a) Discuss and illustrate the functions of money. [10 marks]
- b) Discuss the functions of the Central Bank in Swaziland. [15 marks]

Question 8

Outline the main characteristics of the Developing Countries. [25 marks]