

UNIVERSITY OF SWAZILAND  
FACULTY OF SOCIAL SCIENCE  
DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION  
JULY 2011

TITLE OF PAPER : PRINCIPLES OF MICROECONOMICS

COURSE CODE : ECON 102/IDE-ECON 102

TIME ALLOWED : TWO (2) HOURS

INSTRUCTIONS: 1) ANSWER ANY THREE (3) QUESTIONS.

2) INDICATE ON THE COVER OF YOUR  
ANSWER BOOKLET WHETHER YOU ARE  
FULL-TIME OR PART-TIME.

3) ALL QUESTIONS CARRY EQUAL MARKS  
OF 25 EACH.

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN  
GRANTED BY THE INVIGILATOR

### **Question 1**

Write short explanatory notes on the following:

- a) The four main factors of production
- b) Isocost and budget lines
- c) Production possibility frontier and opportunity cost
- d) The relationship between total, average and marginal products.
- e) Collusive oligopoly

(5 marks each)

### **Question 2**

- a) Outline the determinants of price elasticity of demand. (5 marks)
- b) Use a graph to explain why a fall in the price of a good results in an increase in its consumer demand. (10 marks)
- c) Distinguish between consumer and producer surplus. Use diagrams to illustrate your answer. (10 marks)

### **Question 3**

- a) Distinguish between a stable and an unstable equilibrium. Use graphs. (10 marks).
- b) Analyse the effect of a specific sales tax, using demand and supply curves. Show the total tax revenue as well as how it is shared between the consumer and the producer. (10 marks).
- c) How do the elasticities of demand and supply affect the effective incidence of the tax analysed in part (b) above. (5 marks)

### **Question 4**

- a) One of the criticisms levelled against monopoly is that it results in a misallocation of resources. Explain, using a diagram. (10 marks)
- b) Define oligopoly and collusive oligopoly. (5 marks)
- c) Entry barriers may prevent the emergence of competitive firms. List such barriers. (5 marks)
- d) Under perfect competition, equilibrium requires that the MC curve cuts the MR curve from below. Explain. (5 marks)