

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
MAIN EXAMINATION
DECEMBER 2011

COURSE CODE: ECON 102/ IDE-ECON 102

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS:

- 1) ANSWER QUESTION 1 (COMPULSORY).**
- 2) ANSWER ANY TWO QUESTIONS FROM THE REMAINING QUESTIONS**

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

Question 1 (Compulsory: Total Marks 40)

- a) With the aid of **diagrams and equations**, show and explain the equilibrium points where the consumer maximizes utility and the producer minimizes costs. State all relevant assumptions made. (15 marks).
- b) Outline the **three** assumptions that a rational consumer must satisfy when making choices. (6 marks).
- c) Discuss a mixed and capitalist economic system. Highlight the major shortfalls of each. (14 marks)
- d) Delineate the main economic problem. Based on the information you have gained from your principles course in microeconomics, how would you define Economics? (5 marks)

Question 2

- a) Using a graph, discuss the stages of the production process . (10 marks)
- b) Utilize graphs to discern between consumer and producer surplus. (5marks)
- c) Using a **graph** show and explain the equilibrium position for firm operating under perfect competition (10 marks)
- d) List **any five** determinants of elasticity of demand. (5 marks)

Question 3

- a) Market structures differ in many ways, but we can identify some vital differences and /or similarities using five features of market structures. Use a table to set out these features for the four main market structures. From your table it should be clear how these market structures are similar or differ from each other. Give examples for each type of market structure. (20 marks)
- b) Using the case of Swaziland, why are monopolies disliked by consumers? (5 marks)

- 3
- c) Distinguish between price-elastic and price-inelastic demand. (5 marks)

Question 4

- a) Sketch the long run average cost curve. Clarify and illustrate the different ranges of increasing, constant and decreasing returns to scale. (10 marks)
- b) Stating the relevant formula for each, discern between price elasticity of demand, income elasticity of demand and cross-price elasticity of demand. Define all variables used in each formula. (10 marks)
- c) State **three** determinants of elasticity of supply. (5 marks)
- d) Define economies of scale, and economies of scope. Use examples. (5 marks)