

UNIVERSITY OF SWAZILAND
FACULTY OF SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS
SUPPLEMENTARY EXAMINATION
JULY 2012

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**

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Question 1 (Compulsory)

- a) A production-possibility frontier can demonstrate constant and increasing opportunity cost as well as productive efficiency. Explain, using diagrams. (10 marks)
- b) Derive a demand curve for a normal good and a giffen good. (10 marks)
- c) With the aid of graphs, discuss the equilibrium positions for the consumer and producer. Outline the relevant equations. (10 marks)
- d) Discern between the model of perfect competition and a pure monopoly. Use graphs where appropriate. (10 marks)

Question 2

- a) Stating the relevant formulae, discern between point and arc elasticity of demand. (5 marks)
- b)

Price of good A	Quantity demanded of A
80	0
70	50
60	100
50	150
40	200
30	250
20	300
10	350
0	400

Using the table above, calculate the price elasticity of demand when the price is E60 as well as the elasticity of the demand curve in the price range E40 and E50.

(5marks)

- c) Define an unstable equilibrium. List the situations under which disequilibria is likely to persist in a market. (10 marks)
- d) Define an oligopoly. Sketch and explain the oligopolist's kinked demand curve. (10 marks)

Question 3

- a) Suppose that you have the following functions:

$$\text{Demand function: } D_d = 1000 - 2_p$$

$$\text{Supply function: } Q_s = 40 + 40_p$$

In equilibrium $Q_d = Q_s$

- i) Find the equilibrium price. (5 marks)
- ii) Find the equilibrium quantity demanded and supplied. (5 marks)
- b) Define economies of scale, and economies of scope. Use examples. (5 marks)
- c) List the main assumptions of the model of perfect competition. (5 marks)
- d) Distinguish between first, second and third price discrimination. (5 marks)
- e) Show and explain that for profit maximization, a firm has to produce where the marginal cost curve cuts the marginal revenue curve from below. (5 marks)

Question 4

- 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 and trade unions? (5 marks)
- c) Outline the reasons why most economies use a mixed economic system. (5 marks)