UNIVERSITY OF SWAZILAND

FACULTY OF SOCIAL SCIENCE

DEPARTMENT OF ECONOMICS

SUPPLEMENTARY EXAMINATION

July 2013

COURSE CODE: ECON 102/ IDE-ECON 102

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: 1) ANSWER <u>QUESTION 1</u> (COMPULSORY).

2) ANSWER <u>ANY TWO</u> QUESTIONS FROM THE REMAINING QUESTIONS

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Question 1 (COMPULSORY TOTAL MARKS 40)

a) Using an example, define opportunity cost. Show how the PPF demonstrates this concept. What shifts the PPF. (10 marks)

b) Define an economic system. Name the different types of economic systems. What are the advantages of a mixed economic system? (10 marks)

c) Distinguish between the income and substitution effects, assuming a price decrease for an inferior good. Use a graph. (10 marks)

d) Use a graph and equations to describe and depict the equilibrium position for the utility maximizing consumer. (10 marks)

Question 2

a) Outline the non-price determinants of demand and supply. (15 marks)

b) Stating the formula for each, define price elasticity of demand, income elasticity of demand and cross-price elasticity of demand. (15 marks)

Question 3

a) List the factors that contribute to continued disequilibrium in some markets.

(5 markets)

b) Discuss the benefits and costs of a monopoly. Use examples from Swaziland as much as possible. (15 marks)

c) Discern between first degree, second degree and third degree price discrimination.

(10 marks)

Question 4

a) Using graphs, show and explain the short run and long run equilibrium positions for a firm operating in monopolistic competition. (15 marks)

b) Define an oligopoly. Use a graph to explain the oligopolist's kinked demand curve.

(15 marks)