

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

July 2014

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 TOTAL MARKS 40)

- a) Outline the determinants of demand and supply. (10 marks)
- b) Using equations (no graphs) describe the equilibrium position for a cost minimizing producer (15 marks)
- c) Discuss the advantages and disadvantages of the capitalist and mixed economies (10 marks)
- d) Without the use of graphs, define consumer and producer surplus (5 marks)

Question 2

- a) Stating the formula for each, define price elasticity of demand, income elasticity of demand and cross-price elasticity of demand. (5 marks)
- b) Explain the assumptions that underlie indifference curve analysis. (5 marks)
- c) Define the following; an iso-product curve, equal cost curve, engel curve, diseconomies of scale, total product curve. (10 marks)
- d) Sketch a long run average cost curve and show the ranges that correspond to increasing, decreasing and constant returns. Explain the shape of this curve. (10 marks)

Question 3

- a) Using graphs discern between a stable and an unstable equilibrium. (10 marks)
- b) Using equations discuss the welfare implications for the consumer under perfect competition. (15 marks)
- c) Using an example from your daily experiences, define the concept of opportunity cost. (5 marks)

Question 4

- a) Using graphs show and explain the short run and long run equilibrium positions for a firm operating under perfect competition. (15 marks)

b) Define an oligopoly. Use a graph to explain the oligopolist's kinked demand curve. (15 marks)