

UNIVERSITY OF SWAZILAND

DEPARTMENT OF ECONOMICS

FINAL EXAMINATION NOVEMBER 2014

PAPER TITLE : PRINCIPLES OF MICROECONOMICS

COURSE CODE : ECON 201

INSTRUCTIONS:

- 1. ANSWER ANY FOUR QUESTIONS**
- 2. TIME ALLOWED IS THREE (3) HOURS**

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QUESTION 1**[25]**

Graphically represent the three stages of production as explained by the law of variable proportions and briefly explain.

QUESTION 2**[25]**

Briefly discuss the law of returns to scale (expansion path) under the following headings:

- (i) In what period of time this law operates? (2)
- (ii) In terms of production, what this law explains? (3)
- (iii) State what this law describes exactly? (8)
- (iv) State how does it help the producers? (5)
- (v) How does the behavior of this law affect the output? (4)
- (vi) Graphically represent the law of returns to scale (3)

QUESTION 3**[25]**

a) In her production period of a month, Mary's candy combines variable inputs of her labour and the raw materials to the fixed inputs of her table and her license to operate. Mary adds employees to her plant and forecasts the change in production of candies per day as shown in Table below:

Unit of factor (n)	Total Product of Labour (TPL)	Marginal Product of Labour (MAL)	Average Product of Labour (APL)
0	0		
1	10		
2	24		
3	40		
4	56		
5	62		
6	63		

- (i) Calculate the MPL and APL (3.5 x 2 = 7)
- (ii) Graph the TPL (3)
- (iii) Graph the MPL and the APL (2 x 2 = 4)
- (iv) Comment of the graph (4)

b) What is a firm's technology of production? (7)

QUESTION 4**[25]**

a) Discuss term "minimum prices (price floor) under the following headings:

(i) Definition of the concept minimum price. (3)

(ii) Explain why government sets minimum prices? (8)

(iii) For which types of goods and services minimum prices are set for? (3)

(iv) Draw the graph showing minimum prices and comment. (4)

b) Differentiate between cardinal and ordinal utility. (7)

QUESTION 5**[25]**

a) What is market structure? (0.5 x 4 = 2)

b) How do economists classify market structure? (3)

c) Compare and contrast the different types of market structure by means of a table, giving
(i) the name of each market; (ii) number of firms; (iii) the type of product; (iv) entry into the market
and (v) firm's influence over prices. (1 x 20 = 20)