

University of Swaziland
Faculty of Social Science
Department of Economics
Main Examination
December 2016

Title of paper : Principles of Microeconomics
Course Code : ECO 101/ IDE-ECON 102
Time allowed : Two (2) hours
**Instructions : Answer question 1 (one) and any other
two questions**

**Do not open this paper until the invigilator has granted
permission.**

Question One

- a) There are three assumptions that underlie indifference curve analysis. Outline each of these in one sentence. (one sentence for each assumption). (5 marks)
- b) In one sentence each, define productive and allocative efficiency. (5 marks)
- c) The state plays a pivotal role in any economy. Name these. (5 marks)
- d) List the assumptions used to construct the PPC/PPF. (5 marks)
- e) Define marginal physical product of capital and marginal cost. State relevant equations. (5 marks)
- f) Define the slope of an indifference curve and an iso-product curve. (5 marks)
- g) Assuming the Vela consumes two goods A (price E10) and B (price E20) and has income of E100.
- i. State the budget constraint. (1 mark)
 - ii. Sketch his budget line with good A on the x-axis. Indicate on the graph the maximum quantities of good A and good B that the consumer can afford. (4 marks)
 - iii. Outline the equilibrium position for a consumer, using equations only. (5 marks)

Question Two

- a) Indicate whether the following can be classified under microeconomics or macroeconomics. (1 mark each)
- i) Determination of total student enrolment at UNISWA.
 - ii) Swaziland's total exports.
 - iii) Determination of premium to be paid to the Swaziland Royal Insurance Corporation for motor insurance.

b) Consider the following data for good X.

Price (E per unit):	4	8	12	16	20	24
Quantity Demanded:	200	160	120	80	40	0

(units per month)

i) Calculate the price elasticity of demand when price is

1) E8

2) E20

(6marks)

ii) Calculate the price elasticity of demand in the following ranges.

1) E8 – E12

2) E20 – E24

(8 marks)

c) List any three factors that influence elasticity of supply.

(3 marks)

d) What is meant by rational consumer behaviour?

(10 marks)

Question Three

a) Enumerate five non-price determinants of demand.

(5 marks)

b) What are the three common elasticities of demand? Include the definition and formula of each.

(12 Marks)

c) Describe the five characteristics of indifference curves.

(10 marks)

d) List any three factors which bring about reduction in the Long Run Average Cost as the scale of production of the individual firm increases.

(3 marks)

Question Four

a) List five (5) factors which influence maize supply in Swaziland.

(10 marks)

b) Indicate exactly how each of the following is or is not an economic problem.

(10 marks)

- i) Rural grazing
 - ii) Rural air
- c) Describe five (5) characteristics of perfect competition.
(10 marks)