



1st SEM. 2005/2006

PAGE 1 OF 2

UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER

PROGRAMME: B.Sc. in Agriculture V (AEM OPTION)

COURSE CODE: AEM 502

TITLE OF PAPER: MICROECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: 1. ANSWER QUESTION ONE AND CHOOSE ANY OTHER TWO FROM THE REMAINING THREE QUESTIONS.

2. QUESTION ONE CARRIES FORTY (40) MARKS AND THE REMAINING QUESTIONS THIRTY MARKS EACH.

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Question 1

- (a) Explain, with aid of a relevant diagram, the efficient use of resources. **8 MARKS**
- (b) Provide a brief account of why people do not always produce all the goods they consume even if they may have enough resources to do so **8 MARKS**
- (c) What are the main influences of the elasticities of demand and supply? **12 MARKS**
- (d) Briefly explain how monopoly, price ceiling and price floor may affect the achievement of efficient allocation of resources. **12 MARKS**

Question 2

Explain, using the theory of demand and supply as well as the concepts of elasticity and efficiency, the following:

- (a) How minimum wage laws create unemployment and inefficiency. **8 MARKS**
- (b) Effects of a tax **7 MARKS**
- (c) Why farm prices and revenues fluctuate and how production subsidies and quotas influence farm production, costs and prices. **15 MARKS**

Question 3

- (a) What is the goal of consumer when she chooses the quantities of a combination of goods A and good B to consume and what conditions are met when this goal is achieved? **6 MARKS**
- (b) Distinguish between technological and economic efficiency and explain three features of a firms' environment that may limit the maximum profit it can make. **18 MARKS**
- (c) Explain how the economies and diseconomies of scale arise. **6 MARKS**

Question 4

- (a) Explain with help of diagrams how an industry in perfect competition adjusts itself in the long run. **10 MARKS**
- (b) Compare, with the aid of diagrams, a single-price monopoly and perfect competition in terms of price charged, quantity produced and efficiency. **20 MARKS**