

UNIVERSITY OF SWAZILAND**FACULTY OF AGRICULTURE AND CONSUMER SCIENCES****SUPPLEMENTARY EXAMINATION PAPER**

PROGRAMMES: B.Sc. in Agric. Economics and Agribusiness Management Yr1

B.Sc. in Agricultural and Biosystems Engineering Yr1

B.Sc. in Agricultural Education Yr1

B.Sc. in Agronomy Yr1

B.Sc. in Animal Science Yr1

B.Sc. in Animal Science (Dairy) Yr1

B.Sc. in Consumer Science Yr1

B.Sc. in Consumer Science Education Yr1

B.Sc. in Food Science, Nutrition and Technology Yr1

B.Sc. in Horticulture Yr1

B.Sc. in Textile and Apparel Design and Management Yr1

COURSE CODE: AEM 102

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

TIME ALLOWED: TWO (2) HOURS

INSTRUCTIONS: ANSWER ALL QUESTIONS

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QUESTION ONE

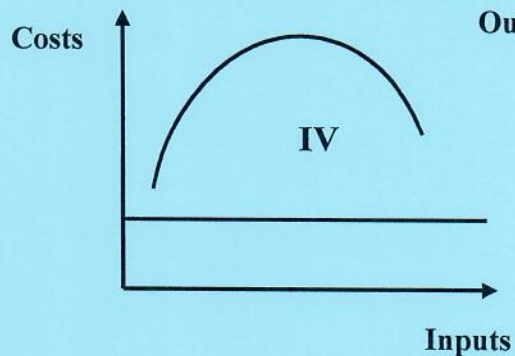
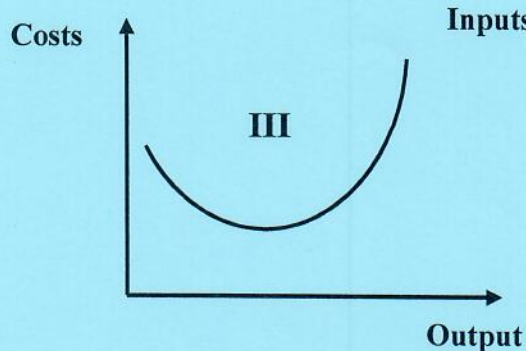
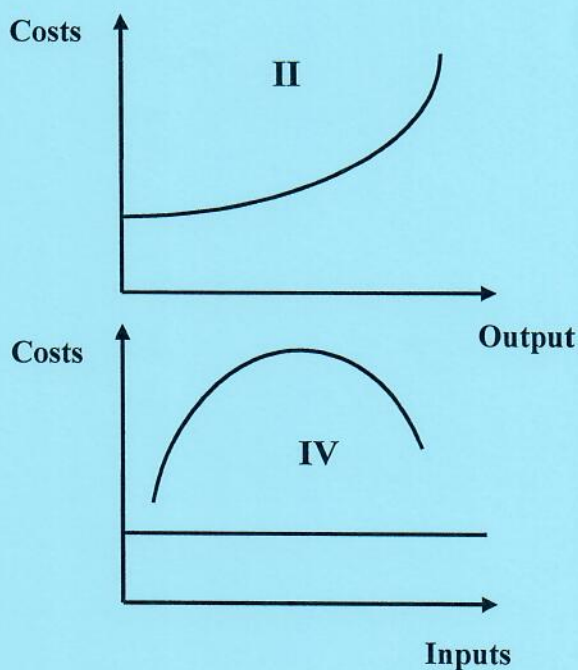
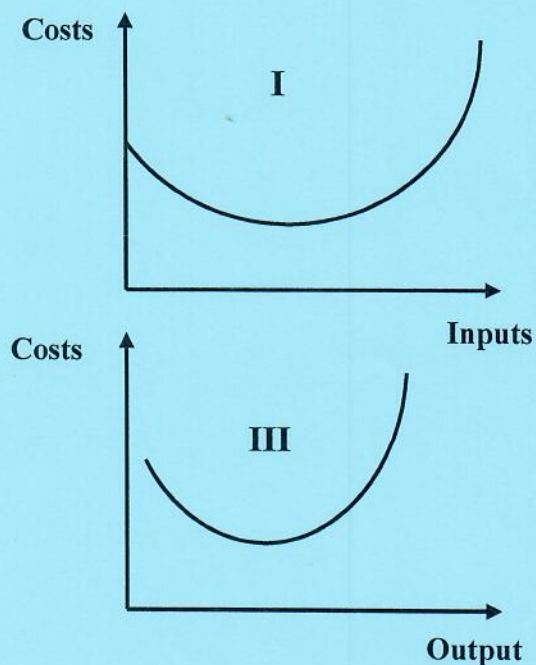
- Write only the letter of your best choice in the answer booklet alongside each question
- Carries 50 marks

1. What will happen to the marginal cost when fixed costs increases?
 - a. Increase
 - b. Decrease
 - c. Remain the same
 - d. Depends on the level of increase of the fixed costs
2. Costs are a function of:
 - a. Inputs
 - b. Outputs
 - c. Both inputs and outputs
 - d. Non of the above
3. When average physical product (APP) is increasing, what happens to the average variable cost (AVC)?
 - a. Changes
 - b. Increases
 - c. Decreases
 - d. Remain unchanged
4. What is the relationship between marginal physical product (MPP) and marginal cost (MC)?
 - a. Positive relationship
 - b. Negative relationship
 - c. Inverse relationship
 - d. No relationship
5. When APP is maximum, it is also equal to MPP, and average variable cost is:
 - a. Maximum
 - b. Minimum
 - c. Equal to MPP
 - d. One can't know

6. Given that the Total Cost function is $TC = 3 + 2Y^2 + 3Y - 0.2Y^3$, what is the marginal cost function?

- a. $MC = 3Y + 4Y^3 + 3 - 0.6Y^2$
- b. $MC = 3Y + 2Y^3 + 3Y^2 - 0.2Y^4$
- c. $MC = 4Y + 3 - 0.6Y^2$
- d. $MC = 2Y + 3 - 0.2Y^2$

From the following graphs, answer question 7 & 8.



7. Which graph better represents the average cost curve?

- a. I
- b. III
- c. II
- d. IV

8. Which graph represents the total cost curve?

- a. I
- b. II
- c. III
- d. IV

9. How would the average fixed cost curve look like in a graph?
 - a. Horizontal
 - b. Downward sloping
 - c. Vertical
 - d. Upward sloping
10. The demand curve for a pure competition in the long-run is
 - a. Perfectly inelastic
 - b. Relatively elastic
 - c. Downward sloping
 - d. Non of the above
11. Resources are efficiently allocated in a
 - a. Monopoly
 - b. Monopolistic competition
 - c. Perfect competition
 - d. Oligopoly
12. Which market category enjoys supernormal profits?
 - a. Monopoly
 - b. Monopolistic competition
 - c. Perfect competition
 - d. Oligopoly
13. Which market category has a kinked demand curve?
 - a. Monopoly
 - b. Monopolistic competition
 - c. Perfect competition
 - d. Oligopoly
14. Which of the following is a characteristic of a monopolistic competition?
 - a. One seller and many buyers
 - b. Industry dominated by a few large firms
 - c. There are many buyers and sellers
 - d. Homogenous products are sold
15. In a perfect competition, there is:
 - a. Poor quality goods
 - b. Better quality goods
 - c. High degree of advertising
 - d. Few barriers to entry

16. In a monopoly,

- a. Price is equal to marginal revenue
- b. Price is greater than marginal revenue
- c. Price is smaller than marginal revenue
- d. One can't be sure of how price relates with marginal revenue

17. Which of the following is not the role of the agricultural sector in Swaziland?

- a. A major source of exports
- b. A major contributor to GDP
- c. It increases imports
- d. It is a source of raw materials

18. The costs of self-owned resources which are frequently overlooked when computing the expenses of the firm are called

- a. Explicit costs
- b. Implicit costs
- c. Direct costs
- d. Indirect costs

Using the following table answer question 19 & 20.

Output	Total Fixed Costs	Total Variable Costs	Average Costs	Marginal Costs
10	100	20	A	
20	100	60		
				B
30	100	100		

19. What would be the value of **A**?

- a. 120
- b. 30
- c. 12
- d. 0.5

20. What would be the value of **B**?

- a. 0
- b. 40
- c. 4
- d. 6

21. Goods which are free to be used by all people without excluding anyone from consuming them are called ...
- a. Inferior goods
 - b. Giffen goods
 - c. Public goods
 - d. Abundant goods
22. Who defined Economics as “an inquiry into the nature and cause of wealth of nations”?
- a. Alfred Marshal
 - b. Prof. Arthur C. Pigou
 - c. Adam Smith
 - d. Richard Lipsey
23. Which of the following is not a characteristic of a free economy?
- a. There is efficiency in the market due to competition
 - b. Discourages individual initiatives and creativity
 - c. Consumers freedom on what should be produced and consumed
 - d. Profit incentives encourages more investments.
24. The economy where productive resources are owned, controlled and allocated by the state and private individuals is called
- a. Free economy
 - b. Mixed economy
 - c. Free enterprise economy
 - d. Socialist economy
25. In stage 1 of the Production Theory, what is the behavior of the marginal physical product?
- a. Increasing
 - b. Decreasing
 - c. Increasing and decreasing
 - d. Negative

QUESTION TWO

With an aid of examples where appropriate, discuss how the following factors affect the demand of a commodity. [25 marks]

- a) Consumer's income
- b) Price of the commodity
- c) Population
- d) Favourable season of the year
- e) Expected future prices

QUESTION THREE

A) Copy and complete the following table by calculating the marginal utility of a traveler who got thirsty and took glasses of water. [10 marks]

Number of glasses	Total Utility/Satisfaction	Marginal Utility
0	-	
1	5	
2	10	
3	14	
4	17	
5	18	

B) Draw well labeled graphs showing the following situations: [15 marks]

- a. Perfect elasticity of demand
- b. Perfect inelasticity of demand
- c. Relatively elastic demand