



UNIVERSITY OF SWAZILAND

RE- SIT / SUPPLEMENTARY EXAMINATION PAPER

COURSE CODE: AEM 102

TITLE OF PAPER: PRINCIPLES OF ECONOMICS

PROGRAMME: BSc. in Agricultural Economics and Agribusiness Management 1
BSc. In Agronomy Year 1
BSc. In Animal Science Year 1
BSc. In Animal Science (Dairy) Year 1
BSc. In Food Science, Nutrition and Technology Year 1
BSc. In Consumer Sciences Year 1
BSc. In Consumer Sciences Education Year 1
BSc. In Home Economics Year 1
BSc. In Horticulture Year 1
BSc. In Agricultural Bio systems and Engineering Year 1
BSc. In Textiles Apparel Design and Management Year 1

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION:

1. ANSWER ALL FOUR (4) QUESTIONS
2. USE EXAMPLES TO ILLUSTRATE YOUR ANSWERS.
3. FOR THE MATCH AND FILL IN THE BLANKS, WRITE THE NUMBER AND THE ANSWER (e.g. i. 1.; AND i. ECONOMICS) ONLY

DO NOT OPEN THIS PAPER UNTIL PERMISSION HAS BEEN GRANTED BY THE CHIEF INVIGILATOR

Question 1

Using the following information, fill out the table below

Output price (P_Y) = E10/unit

Input price (P_X) = E5/unit

(Transfer the table to your answer sheet. Show ALL your working and provide the formula used in each case)

Input X	Output Y	ATP	TR	TFC	TVC	MR	MC	TC	ATC
0	0							100	
1	5						1		
2	10	5			10			110	
3	15					10			38.3
4	20		200						

(25 marks)

Question 2

- (a) Discuss two incentives for collusion in an oligopolistic market. (5 marks)
- (b) Compare explicit and implicit costs (5 marks)
- (c) Discuss supernormal profits for a pure competitor. (15 marks)

Question 3

- a) Match the word on the left with a proper definition/characteristic on the right. (7 marks)
- | | |
|-------------------------|--|
| i. Monopolist | 1. Agreements on price to charge |
| ii. Inelastic demand | 2. Way of providing for well-being |
| iii. Economies of scale | 3. Moves the demand curve to the right |

- | | |
|----------------------|---|
| iv. Opportunity cost | 4. Products are similar but differentiated |
| v. Collusion | 5. Falling average costs |
| vi. Advertising | 6. Resource cost of any economic decision |
| vii. Economics | 7. Less than proportionate changes in price |

(b) Fill in the blanks with the most appropriate word/s. (10 marks)

- i. Consumers want to maximize consumption subject to _____ constraints.
- ii. _____ competition is a market structure where there is a _____ number of firms making similar products.
- iii. _____ is defined as all activities which provide goods and services for mankind.
- iv. Buyers have little reason to choose one firm's product over another on any basis except _____ in an oligopolistic market.
- v. Market demand is the _____ of the demands of all the _____ in the market.
- vi. An increase in _____ will increase the price and the quantity _____.
- vii. Pure monopoly exists when there is ONLY _____ supplier in the market.

(c) Discuss the factors of production (8 marks)

Question 4

Mrs. Dlamini has E1,000 to spend on two goods; A and B. A is priced at E10/unit whilst B is priced at E5/unit.

- i. Present this information on a graph. (10 marks)
- ii. Show what happens to Mrs. Dlamini's spending pattern when there is an increase in the price of B to E10/unit. (5 marks)
- iii. Even after the price increase, the government still feels that producers of B are still not making enough profits. How would government remedy the situation? Present your answer on a separate graph. (10 marks)