MANICALAND STATE UNIVERSITY OF APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT: AGRICULTURAL ECONOMICS AND DEVELOPMENT

MODULE: MICROECONOMICS FOR AGRICULTURE
CODE: AEDT 121

SESSIONAL EXAMINATIONS
JANUARY 2022

DURATION: 3 HOURS

EXAMINER: MS P DUBE

INSTRUCTIONS

1. Answer **All** in Section A
2. Answer **three** question in Section B.
3. Start a new question on a fresh page
4. Total marks 100

ANSWER ANY FOUR QUESTIONS

QUESTION 1
  a) Define the following:
     i.   Production efficiency   (2)
     ii.   Allocative efficiency   (2)
     iii. Economic problem   (1)
  b) Differentiate between
     i.   Macroeconomics and microeconomics   (4)
     ii.   Positive and Normative economics   (4)
     iii. Inductive and deductive approach   (4)
  c) With the aid of a diagram explain the concept of opportunity cost, choice,
     scarcity and production efficiency   (6)

QUESTION 2
You may not have realized it, but you probably consider opportunity costs many times
a day. The reason is that we are constantly making choices: what to buy, what to eat,
what to wear, whether to go out, how much to study, when to do my work and so on.
Each time we make such a choice, we are in effect rejecting some alternative. This
alternatively forgone is opportunity costs of the action we chose. Sometimes the
opportunity cost of our actions are the direct monetary costs we incur. Sometimes it
is more complicated. Take the opportunity cost of your choices as a student of
agriculture economics
  a) What might prevent you from making the best decisions   (5)
  b) If there are several other things you could have done, is the opportunity cost
     the sum of all of them?   (5)
  c) Make a list of the benefits of higher education   (5)
  d) Is the opportunity cost to the individual; attending higher education different
     from the opportunity cost to society as a whole?   (5)
  e) Differentiate between a giffen good and a Veblem good, give an example of
     each   (5)

QUESTION 3
     a) With the aid of a diagram, differentiate between the concepts of consumer
        surplus and producer surplus.   (5)
     b) For the following demand function $Q_d = 24 - 4P$ and supply function $Q_s =$
        $13P - 27$.
        i.   Find the equilibrium price and quantity.   (5)
        ii.   Calculate the consumer surplus.   (4)
     c) Graphically illustrate and explain why the following indifference curves
        are impossible:

      i.   Upward sloping indifference curve   (2)

      ii.   Crossing indifference curve   (2)

  d) Distinguish between the Marginal Rate of Substitution (MRS) and the Marginal Rate of Transformation (MRT).   [2]

  e) Define Income Elasticity of Demand (also state the mathematical formula)   (5)

QUESTION 4

Diagrammatically illustrate and explain fully the concepts of total effect, substitution effect and the income effect for a price decrease in one of the commodities consumed and an income decrease for a normal good.   (25)

QUESTION 5

  a) Suppose that Tanaka income increases while all the prices of the commodities she consumes remain constant.

      i.   Show graphically and explain fully the kind of curve that would result from only the increase in income.   (10)

      ii.   What is the name of the curve that results from an increase in Tanaka's income?   (3)

      iii.   Judging from the slope of this curve, what type of good does it represent?   (2)

  b) Differentiate between a price-consumption curve and an income-consumption curve.   (10)

QUESTION 6

  a) State five basic properties of perfect competition   (5)

  b) Describe with the aid of a diagram how the supply curve can be determined in the short run under conditions of perfect competition (6)

  c) Distinguish between normal and abnormal profit.   (5)

  d) Explain how a firm to makes abnormal profits in the long run   (5)

  e) Describe the characteristic of a monopoly and give an example of two monopolists in Zimbabwe   (5)

END OF EXAMINATION