



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: IMI611S	COURSE NAME: INTERMEDIATE MICROECONOMICS
SESSION: JUNE 2019	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MR. PINEHAS NANGULA MS KALILA MACKENZIE
MODERATOR:	MS LAVINIA HOFNI

INSTRUCTIONS
1. Answer ALL the questions 2. Write clearly and neatly. 3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. Scientific calculator
2. Pen and Pencil
3. Ruler

THIS QUESTION PAPER CONSISTS OF 3 PAGES (Including this front page)

QUESTION ONE**[25 MARKS]**

- a) People makes trade-offs because they can't have everything. State three trade-offs a society faces. [3 marks]
- b) The demand function for roses is $Q = 200 - 0.4p$, and the supply function is $Q = 100 + 0.4p + 0.5t$, where p is the price of roses and t is the average temperature in a month. Show how the equilibrium price varies with temperature. [4 marks]
- c) The demand function for processed pork is $Q = 100 - P + 5P_b + P_c + 8Y$ and supply function for processed pork is $Q = 50 + P - 6P_h$ where P_b is the price of beef, P_c is the price of chicken, P_h is the price of hog and Y is the consumer income. Initial values are $P_b = N\$2$, $P_c = N\$5$, $Y = N\$100$ and $P_h = N\$3$. Draw the demand and supply curve for processed pork. [8 mark]
- d) Suppose the market for wheat is competitive, with an upward-sloping supply curve, a downward-sloping demand curve, and an equilibrium price of N\$4.00 per kilogram. Why would a price of N\$8.00 per kilogram and N\$3.00 kilogram not be an equilibrium prices? [5 marks]

QUESTION TWO**[25 MARKS]**

- a) Calculate and interpret the elasticity of demand for each of the following demand functions at point where price is N\$12:
- i. $P = 65 - 0.4Q$ [5 marks]
 - ii. $4P + 2Q = 74$ [5 marks]
 - iii. $Q = 60 - 0.5P$ [5 marks]
 - iv. $5P = 120 - 3Q$ [5 marks]
- b) Is it true, as many people claim, that taxes assessed on producers are passed along to consumers? That is, do consumers pay for the entire tax? [5 marks]

QUESTION THREE**[25 MARKS]**

- a) Use appropriate diagrams to discuss the effect of a quota (\bar{Q}) on the equilibrium price and equilibrium quantity of maize in the local market. [10 marks]
- b) Explain and discuss the effect of an increase in the consumer's income on equilibrium price and quantity given the following information:
- i) Demand curve is inelastic, and supply curve is perfect inelastic [5 marks]
 - ii) Demand and supply curves are inelastic [5 marks]
- c) With examples, explain the difference between positive and normative analysis [5 marks]

QUESTION FOUR**[25 MARKS]**

You are given the production function: $Q(K, L) = 4K^{0.6}L^{0.4}$

- a) What is the average product of labour, holding capital fixed at K? Simplify fully [6 marks]
- b) What is the marginal rate of technical substitution (MRTS)? Simplify fully [13 marks]
- c) Does the above function exhibit increasing, decreasing or constant returns to scale? Illustrate why and explain what this means [6 marks]

All the best