



**NAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE, HUMAN SCIENCE AND EDUCATION
DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE**

QUALIFICATION : BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 07BECO	LEVEL: 7
COURSE CODE: IMI611S	COURSE NAME: INTERMEDIATE MICROECONOMICS
SESSION: JUNE 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

FIRST OPPORTUNITY EXAMINATION QUESTION PAPER	
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MODERATOR:	MR. MALLY LIKUKELA

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions2. Write clearly and neatly3. Number the answers clearly

PERMISSIBLE MATERIALS

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

**THIS EXAMINATION QUESTION PAPER CONSISTS OF 5 PAGES (Including this
front page)**

SECTION A**[20 MARKS]**

- 1. Which of the following is a normative statement? [2 Marks]**
- a) A course in intermediate microeconomics improves scores on the LSAT (Law School Admissions Test).
 - b) Colleges that pay their football coaches more than their economics professors tend to win more football games.
 - c) Smoking restrictions on airline flights have reduced the number of respiratory-related illnesses.
 - d) Requiring all students to take at least one semester of Calculus is a bad idea.

Use the following information to answer the next four questions:

The demand for books is: $Q^D = 60 - 1P$

The supply of books is: $Q^S = 30$

- 2. What is the market price of books? [2 Marks]**
- a) 10
 - b) 20
 - c) 25
 - d) 30
- 3. At the market price, how many quantity of books are sold? [2 Marks]**
- a) 25
 - b) 50
 - c) 40
 - d) 30
- 4. The price elasticity of demand at the market equilibrium is a [2 Marks]**
- a) Inelastic.
 - b) Elastic.
 - c) Unitary elastic.
 - d) Inferior.
- 5. Suppose an individual spends all his income on only two goods, good Y and good X. Moreover, suppose that you were asked to derive his price consumption curve for good Y. Which of the following would be allowed to change? [2 Marks]**
- a) Money income.
 - b) The tastes of the consumer.
 - c) The price of good X
 - d) The price good Y.
- 6. Suppose an individual spends all his income on only two goods, good X and good Y. Moreover, suppose that you were asked to derive income consumption curve. Which of the following would be allowed to change? [2 Marks]**

- a) Money income.
- b) The tastes of the consumer.
- c) The price of good X
- d) The price good Y.

7. The substitution effect refers to [2 Marks]

- a) the change in quantity demanded when the price of a substitute changes.
- b) the change in quantity demanded resulting from a change in total satisfaction, holding relative prices constant.
- c) the change in quantity demanded resulting from a change in relative prices, holding the level of satisfaction constant.
- d) the percentage change in quantity demanded resulting from a one percent change in all prices.

8. The income effect of a price change [2 Marks]

- a) is always positive.
- b) is always negative.
- c) may be positive or negative.
- d) is associated with a change in nominal income.

9. A market demand curve can be derived by adding all the individual demand curves [2 Marks]

- a) vertically.
- b) horizontally.
- c) in parallel.
- d) Any of the above as long as it is consistent.

10. Some goods are not closely related to each other and are neither substitutes nor complements. For such goods, the cross-price elasticity of demand would be [2 Marks]

- a. positive.
- b. negative.
- c. zero.
- d. Cannot tell without more information.

SECTION B**[80 marks]****QUESTION ONE****[25 MARKS]**

The total supply of beef in Namibia is equal to what is locally produced and the imports from the rest of the world. Domestic producers' supply equation is $Q = -60 + 6P$ and foreign producers' supply equation is $Q = -40 + 4P$. The government has decided to introduce a quota of 60 tons per month.

- a) What is the difference between a ban and a quota as trade policies? [2 marks]
- b) Give reasons why the government might introduce a quota in certain markets [5 marks]
- c) Draw total supply curve of beef (with and without quota of 60 tons) and work out the market price associated with the quota. _____ [8 marks]
- d) Given the following domestic demand function for beef: $Q = 260 - P$.
 - i. Calculate the market price before the government introduces a quota of 60 tons [2 Marks]
 - ii. Calculate the new market price after the government introduces a quota of 60 tons. [2 Marks]
 - iii. Let us assume that the government introduces a quota of 60 tons because it wants to increase domestic supply and reduce import of beef, was this level of quota effective? [6 marks]

QUESTION TWO**[30 MARKS]**

The utility that Ann receives by consuming food F and clothing C is given by $U(F, C) = 10FC$. Food costs N\$10 per unit, and clothing costs N\$25 per unit. Ann's income is N\$2500.

- a) Ann is currently spending all her income. She is buying 80 units of food. How many units of clothing is she consuming? [5 marks]
- b) Graph her budget line. Place the number of units of clothing on the vertical axis and the number of units of food on the horizontal axis. [4 marks]
- c) Draw the indifference curve associated with a utility level of 360 and the indifference curve associated with a utility level of 720. Are the indifference curves bowed toward the origin? [6 marks]
- d) Using algebra, find the utility-maximizing choice of food and clothing. [10 marks]
- e) What is the marginal rate of substitution of food for clothing when utility is maximized? [5 marks]

QUESTION THREE**[25 MARKS]**

The current world production of oil is 350 million barrels per day and the current world price of oil is N\$85 per barrel. The price elasticity of demand (ϵ) is -0.3 and the elasticity of supply (η) is 0.1. Shiwa Investment is planning to enter the world oil market with a daily production of 13 million barrels of oil per day. For simplicity, assume that the supply and demand curves are linear

- a) Use the information above to work out demand and supply equations before the new form

- enters the market. [8 marks]
- b) Draw the market for oil indicating current market price and daily production. [4 marks]
- c) Work out a new supply equation after a new firm enters the market. [3 marks]
- d) Calculate new price and daily production after a new firm enters the market. [5 marks]
- e) Explain why daily production of oil did not increase by 13 million barrels per day [5 marks]

All the best