



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCE AND EDUCATION

DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE

QUALIFICATION BACHELOR OF ECONOMICS HONOURS DEGREE	
QUALIFICATION CODE: 07BECO	LEVEL: 8
COURSE CODE: AMI810S	COURSE NAME: ADVANCED MICROECONOMICS
SESSION: JULY 2025	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION	
EXAMINER(S)	MR. PINEHAS NANGULA
MODERATOR:	DR RUTH EEGUNJOBI

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]**

The government is planning to introduce a ban on the importation of potatoes between June 2025 and August 2025. The domestic demand function for potatoes is $Q_d = 250 - 4P$, the domestic supply function for potatoes is $Q_s = -50 + 3P$ and the foreign supply function for importing potatoes is $Q_s = -50 + 3P$.

Analyse the impact of this government policy on the Namibian economy. [25 marks]

QUESTION TWO**[25 MARKS]**

Martha has the utility function $U(x, y) = 0.5x^2y^4$, where x denotes the amount of food consumed and y the amount of clothing. Now suppose that he has an income of N\$450.00 per week and that the price of clothing is $P_y = \text{N}\$10$ per unit. Suppose that the price of food is initially $P_{x1} = \text{N}\$25$ per unit and that the price subsequently falls to $P_{x2} = \text{N}\$5$ per unit.

Find the numerical values of the income and substitution effects on food consumption and graph the results. Let unit of food be on the x-axis.

QUESTION THREE**[25 MARKS]**

A homogeneous products duopoly faces a market demand function given by $P = 500 - 5Q$, where $Q = Q_1 + Q_2$. Both firms have a constant marginal cost $MC = 80$.

- What is Firm 1's profit-maximizing quantity, given that Firm 2 produces an output of 60 units per year? What is Firm 1's profit-maximizing quantity when Firm 2 produces 30 units per year? [5 marks]
- Derive the equation of each firm's reaction curve and then graph these curves. [5 marks]
- What is the Cournot equilibrium quantity per firm and price in this market? [5 marks]
- What would the equilibrium price in this market be if it were perfectly competitive? [5 marks]
- What would the equilibrium price in this market be if the two firms colluded to set the monopoly price? [5 marks]

Question Four**[25 marks]**

John has the utility function $U(x, y) = 2xy$, where x denotes the amount of beer consumed and y the amount of wine. Now suppose that he has an income of \$72 per week and that the price of wine is $P_y = \text{N}\$1$ per unit. Suppose that the price of beer is initially $P_{x1} = \text{N}\$9$ per unit and that the price subsequently falls to $P_{x2} = \text{N}\$4$ per unit. Let good x be on the x-axis. Is good x a normal, inferior or giffen good?

All the best