



**PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY**

FACULTY OF MANAGEMENT SCIENCES

DEPARTMENT OF ACCOUNTING, ECONOMICS AND FINANCE

QUALIFICATION: BACHELOR OF ECONOMICS	
QUALIFICATION CODE: 12BECO	LEVEL: 7
COURSE CODE: TEC711S/TEC411S	COURSE NAME: TRANSPORT ECONOMICS
SESSION: JANUARY 2020	PAPER: THEORY
DURATION: 3 HOURS	MARKS: 100

SUPPLEMENTARY/ SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	EDEN TATE SHIPANGA
MODERATOR:	ANTHONY ADEYANJU

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Write clearly and neatly.3. Number the answers clearly.

PERMISSIBLE MATERIALS

1. PEN,
2. PENCIL
3. CALCULATOR

THIS QUESTION PAPER CONSISTS OF 2 PAGES (Including this front page)

QUESTION 1**[Total: 30]**

If the demand and supply curve for a bus service is given as $D= 40 - 35p$, $S= 20 p$; where P is the fare charged and both supply and demand are specified in thousands.

- What are the equilibrium price and quantity [5 marks]
- sketch out the above equilibrium demand and supply curve for the bus service [10 marks]
- If a rise in the price of rail fares is expected to add a daily demand of fifteen thousand passengers at all prices find the new equilibrium price and quantity by adding the new demand curve to your old sketch [15 Marks]

QUESTION 2**[Total: 30]**

"The proponents of monopoly argued that: if the market is a contestable market it could as well be left to a monopoly operator. This is because it does not really need to be operated by perfect competitive operator in order to produce economically efficient market behaviour". Use the theory of contestability by Baumol (1982) to support the above statement.

QUESTION 3**[Total: 40]**

Output	Total Fixed Cost	Total Variable Cost	Total Cost	Average Fixed Cost	Average Variable Cost	Average Total cost	Marginal Cost
0	30		30				-
1		30					
2			71				
3			79				
4		58					
5		70					
6		85					
7			135				
8			160				
9		160					
10		201					

- Complete the above cost table of a bus service [20 marks]
- At what level of output would the firm obtain Optimum Efficiency? Give reasons for your answer [5marks]
- Price discrimination is defined as a pricing strategy that charges customers different prices for the same product or service.
 - State three conditions that must exist for price discrimination to take place [5 Marks]
 - Explain three types of price discrimination [10 Marks]