



GWANDA STATE UNIVERSITY

FACULTY OF NATURAL RESOURCE MANAGEMENT & AGRICULTURE

DEPARTMENT OF HORTICULTURE AND CROP PRODUCTION

**BACHELOR OF SCIENCE HONOURS DEGREE IN AGRICULTURAL
ECONOMICS**

Intermediate Microeconomics for Agriculture: LAE 2101

First Semester Final Main Examination Paper

December 2024

This examination paper consists of 2 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

Examiner's Name: R. Foti

INSTRUCTIONS

1. Answer **all** questions in Section A
2. Answer **two** questions in Section B

MARK ALLOCATION

QUESTION	MARKS
SECTION A	60
SECTION B	40
TOTAL ATTAINABLE MARKS	100

SECTION A: Answer ALL questions in this section

1. Using appropriate diagrams and giving relevant examples, explain the following concepts as they relate to the theory of demand:
 - a) The relationship between total utility and marginal utility [10 Marks]
 - b) The law of diminishing marginal utility [5 Marks]
 - c) Pareto optimality [2 Marks]
 - d) Total physical product [2 Marks]
 - e) Marginal product [2 Marks]
 - f) Opportunity cost [2 Marks]
 - g) The concept of “Ceteris paribus” [2 Marks]

2. Explain the following characteristics of indifference curves:
 - a) Convexity to the origin [2 Marks]
 - b) They will never intersect [2 Marks]
 - c) Higher indifference curves are better than lower indifference curves [2 Marks]

3. Explain the limitations of the following theories of demand:
 - a) The utility theory of demand [6 Marks]
 - b) The indifference theory of demand [6 Marks]

4. Explain, using relevant diagrams what will happen under the following circumstances:
 - a) The price of bread and the price of sweet potatoes rises. Assume that bread and sweet potatoes are substitutes in consumption. Please **use appropriate diagrams.** [6 Marks]
 - b) The price of tea when the price of sugar rise. Assume tea and sugar are complements in consumption. Please **use appropriate diagrams.** [6 Marks]

5. State any 5 factors affecting the elasticity of demand for agricultural commodities in Zimbabwe. [5 Marks]

SECTION B: Answer ONLY TWO questions from this section

6. Explain Government Intervention in a developing country economy such as in Zimbabwe under the following headings:
 - a) Reasons for government intervention
 - b) Forms of Government Intervention
 - c) Advantages of government intervention
 - d) Disadvantages of government intervention [20 Marks]

7. Describe and explain fully the conditions that must be met for a perfectly competitive market to exist. **[20 Marks]**
8. Explain using appropriate diagrams and examples relevant to the economics of agricultural production and consumption the following concepts:
- a) Converging cobweb cycle **[10 Marks]**
 - b) Diverging cobweb cycle **[10 Marks]**

END OF EXAMINATION