



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF SCIENCE AND TECHNOLOGY EDUCATION

DEPARTMENT OF SCIENCE, MATHEMATICS AND TECHNOLOGY EDUCATION

BACHELOR OF SCIENCE EDUCATION (HONOURS) DEGREE IN MATHEMATICS

PST 1162

MICROECONOMICS

Main Examination Paper

November 2024

This Examination Paper consists of 3 printed pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

Internal Examiner: R. Moyo

External Examiner: Dr. B. Dlamini

INSTRUCTIONS

Answer any **four** questions.

MARK ALLOCATION

QUESTION	MARKS
1	25
2	25
3	25
4	25
5	25
6	25
TOTAL	100

Question 1

With the aid of a diagram, discuss the Production Possibility Frontier (PPF).

[25 marks]

Question 2

a) Explain the following elasticity concepts

[12 marks]

- I. Price elasticity of demand
- II. Income elasticity of demand
- III. Cross elasticity of demand.

b) The price of the Chronicle is \$1 per copy. In September 2024 the company sold 80 000 copies per month. The marketing manager suggested a cut of the price of the newspaper by 25% by end of the month to fight competition. The company then managed to sell 120 000 copies by end of October 2021.

- I. Calculate the price elasticity of demand for the newspaper and interpret your answer **[3 marks]**
- II. Suggest and explain any two determinants of the price elasticity of demand for the newspaper. **[4 marks]**
- III. Analyse the significance of the price elasticity of demand to both government and firms. **[6 marks]**

Question 3

(a) Explain why costs in both the short-run and long-run are U shaped

[10 marks]

(b) Using real-world examples, evaluate the view that firms in monopoly will charge higher prices and lower output levels than firms in perfectly competitive markets.

[15 marks]

Question 4

'An economy can be better off by relying on price mechanism to allocate its scarce resources.' Evaluate this assertion. **[25 marks]**

Question 5

a) Using the **correct** diagrams, explain the following terms;

1. Transfer earnings **[5 marks]**

2. Economic rent **[5 marks]**

c) Explain and illustrate how wages are determined in a perfectly competitive market. **[15 marks]**

Question 6

a) Briefly describe the major characteristics of a perfect market competition structure. **[10 marks]**

b) Using diagrams, distinguish between normal and abnormal profits in a competitive market. **[15 marks]**

END OF PAPER