Intermediate Microeconomics (full and part-time)
Test One
Time and Date: 18:30 and 18-03-2015
Total Marks
Examiner: Pinehas Nangula

Question One
People make trade-offs because they can’t have everything. State three key trade-offs a society faces.  [3 marks]

Question Two
The demand function for a good is \( Q = a - bp \), and the supply function is \( Q = c + ep \), where \( a, b, c, \) and \( e \) are positive constants.

a) Solve for elasticity of demand and elasticity of supply at equilibrium in terms of these constants  [6 marks]

b) If \( a = 20, c = 10, b = 0.5 \) and \( e = 1.5 \), comment on the elasticity of demand  [3 marks]

Question Three
What is the effect of a Namibia quota on chicken of \( Q \) on the equilibrium price and quantity in the Namibia chicken market?  [10 marks]

Question Four
What would be the effect of ANWR production on the world equilibrium price and quantity of oil given that \( \varepsilon = -0.4, \eta = 0.3 \), the pre ANWR daily world production of oil is \( Q_1 = 84 \) millions barrels per day, the pre-ANWR world price is \( P_1 = 70 \) and daily ANWR production would be 0.8 million barrels per day?  [10 marks]

Question Five
Suppose that the government collects a specific tax of \( \tau = N1.05 \) per kg of processed pork from pork producers. The equilibrium price and quantity before tax is N$10.00 and 300 kg respectively. The demand elasticity for pork is \( \varepsilon = -0.3 \) and the supply elasticity is \( \eta = 0.6 \).

a) Calculate the new equilibrium price after government imposes this tax.  [5 marks]

b) Calculate the portion of tax which will be paid by the producer.  [3 marks]

All the best!!!!!!