



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN MARKETING MANAGEMENT

PART I FIRST SEMESTER EXAMINATION

PRINCIPLES OF ECONOMICS [BMA1104]

MAY 2023

DURATION: 3 HOURS

LECTURER: MR. R. MUNERI

INSTRUCTIONS

1. Section A is compulsory and choose any three questions in section B
2. Begin your answer to each question on a new page.
3. Please indicate the study format (Conventional/Block/Parallel) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of seven printed pages including the cover page

SECTION A: Multiple Choice Questions (Compulsory)

All questions under this section carry 2 marks except question 13 that carries 1 mark.

1. Economics is the study of

- a) How society manages its unlimited resources.
- b) How to reduce our wants until we are satisfied.
- c) How society manages its scarce resources.
- d) How to fully satisfy our unlimited wants.
- e) How to avoid having to make trade-offs.

2. Which of the following statements is true about a market economy?

- a) With a large enough computer, central planners could guide production more efficiently than markets.
- b) In a market the self-interested actions of market participants are coordinated in such a way as to bring about an outcome from which everybody benefits.
- c) The strength of a market system is that it tends to distribute resources evenly across consumers.
- d) Taxes help prices communicate costs and benefits to producers and consumers

3. Which of the following events would cause a movement upward and to the left along the demand curve for olives?

- a) The number of buyers of olives decreases.
- b) Consumer income decreases, and olives are a normal good.
- c) The price of pickles decreases, and pickles are a substitute for olives.
- d) The price of olives rises

4. An inferior good is best described as:

- a) A good for which an increase in the price, holding income fixed, leads to a decrease in the quantity demanded
- b) A good for which an increase in the price, holding income fixed, leads to an increase in the quantity demanded
- c) A good for which an increase in income, holding prices fixed, leads to an increase in the quantity demanded
- d) A good for which an increase in income, holding prices fixed, leads to a decrease in quantity demanded
- e) A good for which the income effect is larger than the substitution effect

5. Which of the following best describes the optimum for the consumer in the indifference curve-budget constraint diagram?

- a) Quantity demanded equals quantity supplied
- b) Marginal revenue equals marginal cost
- c) Social benefit equals social cost
- d) Ratio of marginal utilities equals ratio of prices
- e) Income equals utility

6. Which of the following is not a remuneration for factors of production?

- a) Interest
- b) Money
- c) Wages
- d) Profit

7. If an increase in the price of blue jeans leads to an increase in the demand for tennis shoes, then blue jeans and tennis shoes are

- a) Complements.
- b) Inferior goods.
- c) Normal goods.
- d) None of these answers.

e) Substitutes.

8. The law of demand states that an increase in the price of a good

- a) Increases the supply of that good.
- b) Decreases the quantity demanded for that good along its demand curve.
- c) Decreases the demand for that good.
- d) Increases the quantity supplied of that good along its supply curve.
- e) None of these answers.

9. If an increase in consumer incomes leads to a decrease in the demand for camping equipment, then camping equipment is

- a) A normal good.
- b) An inferior good.
- c) A substitute good.
- d) A complementary good.

10. That the supply curve of ice cream cones is upward sloping indicates that

- a) The marginal cost of providing ice cream cones increases as more cones are produced.
- b) As the price of ice cream cones increases, the production technology is upgraded.
- c) As the price increases, the opportunity cost of making ice cream cones decreases.
- d) All of the above.

11. Which of the following shifts the demand for watches to the right?

- a) An increase in the price of watches
- b) A decrease in the price of watch batteries if watch batteries and watches are complements
- c) A decrease in consumer incomes if watches are a normal good

d) A decrease in the price of watches

12. Which of the following does not shift the supply curve of watches to the right?

- a) An advance in the technology used to manufacture watches.
- b) An increase in the price of watches.
- c) A decrease in the wage of workers employed to manufacture watches.
- d) Manufacturers' expectation of lower watch prices in the future.

13. "Opportunity cost is the cost to the decision-maker, in terms of all alternatives forgone"

- a) True
- b) False

SECTION B

Answer any 3 Questions from this section

Question 1 (25 Marks)

- a) Define economics (2 Marks)
- b) Briefly explain what is meant by the concept of scarcity (2 Marks)
- c) Distinguish between micro-economics and macro-economics. Give examples (4 marks)
- d) What are the three economic fundamental questions that emanate from scarcity? (3 Marks)
- e) Name the four economic participants in an economy (2 Marks)
- f) Differentiate between positive and normative statements in economics, giving practical examples (4 Marks)
- g) Name 4 factors that shift the production possibility curve outwards (2 Marks)
- h) Define markets and identify the two main markets that exist in any economic system (3 Marks)
- i) Fill in the table (3 Marks)

Factor of Production	Remuneration/ Income
Labour	Wages
_____	Rent
Capital	_____
_____	profit

Question 2 (25 Marks)

- a) With the aid of diagrams, the effects of government intervention in the form of
 - i. Price floor (5 Marks)
 - ii. Price ceiling (5 Marks)

- b) With the aid of diagrams, distinguish between the effects of price and non-price determinants of demand of a good **(5 Marks)**
- c) With the aid of diagrams, explain the impact of the following on equilibrium price and quantity of a good;
- i. An increase in demand **(4 Marks)**
 - ii. A simultaneous decrease in both supply and demand **(6 Marks)**

Question 3 (25 Marks)

- a) Explain the main features of a mixed economic system **(8 Marks)**
- b) Clearly explain why the mixed economic system is widely regarded as better than both command and free market economic systems? **(8 Marks)**
- c) Discuss the role of markets in a free market economic system **(9 Marks)**

Question 4 (25 Marks)

- a) With reference to Zimbabwe, explain the main causes of unemployment **(13 Marks)**
- b) What measures can be taken to reduce unemployment in Zimbabwe **(12 Marks)**

END OF EXAMINATION PAPER

GOOD LUCK!

