



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

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**BACHELOR OF COMMERCE HONOURS DEGREE IN MARKETING**

PART I FIRST SEMESTER EXAMINATION

**PRINCIPLES OF ECONOMICS [BMA1104]**

NOVEMBER 2024

DURATION: 3 HOURS

LECTURER: MR. R. MUNERI

**INSTRUCTIONS**

1. Answer **section A and any three question in section B**
2. Begin 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 three printed pages including the cover page**

## SECTION A (COMPULSORY).

### QUESTION 1 (40 Marks)

- a) Using a well labelled diagram, show how a production possibility curve is used to explain the concepts of scarcity, choice, and opportunity cost. **(5 Marks)**
- b) Distinguish between positive economics and normative economics. **(4 Marks)**
- c) What is the difference between effective demand and passive demand? **(4 Marks)**
- d) Why does the supply curve almost always slope upward? **(4 Marks)**
- e) With the aid of a diagram, explain how a decrease in both supply and demand affect the market equilibrium price and quantity of a product. Remember to label your diagram. **(5 Marks)**
- f) Explain how the market self-adjusts from any disequilibrium towards the equilibrium position. **(6 Marks)**
- g) Given the following Supply and demand equations
- $$Q_s = 20 + 2P$$
- $$Q_d = 200 - 2.5P$$
- (i) Calculate the equilibrium price and equilibrium quantity. **(4 Marks)**
- (ii) At the price of \$20, calculate the excess demand? **(2 marks)**
- (iii) When the market self-adjusts from a shortage in (ii) above to the equilibrium, calculate the price elasticity of demand. **(4 Marks)**
- (iv) Comment on your answer in (iii) above. **(2 Marks)**

## SECTION B (CHOOSE ANY THREE QUESTIONS).

### QUESTION 2 (20 Marks)

- a) Define any 3 indices that are used to measure inflation. **(6 Marks)**
- b) Discuss the socio-economic effects of inflation. **(6 Marks)**
- c) Discuss the measures that can be taken to reduce inflation in Zimbabwe, giving practical examples. **(8 Marks)**

**QUESTION 3 (25 Marks)**

- a) Why should economies worry about high and rising levels of unemployment? **(10 Marks)**
- b) With reference to a developing country of your choice, explain the measures that can be implemented to reduce unemployment. **(10 Marks)**

**QUESTION 4 (20 Marks)**

- a) Clearly explain the difference between economic profit and accounting profit. **(4 Marks)**
- b) With reference to production theory, how does the long-run differ from the short-run. **(4 Marks)**
- c) With the aid of diagrams, discuss the long run profit position of firms in perfectly competitive markets. **(8 Marks)**
- d) Explain the key features of an oligopolistic market structure. **(4 Marks)**

**QUESTION 5 (20 Marks)**

- a) Define a market, and identify the two main markets in an economy. **(4 Marks)**
- b) Discuss the main reasons why governments intervene in markets. **(8 Marks)**
- c) Explain any four ways in which governments intervenes in markets. **(8 Marks)**

**END OF EXAMINATION PAPER**

**GOOD LUCK**