BOTSWANA COLLEGE OF DISTANCE

AND OPEN LEARNING

Diploma in Business Management

Diploma in Human Resources Management

Economics I

EC101

Sessional Examination

Marks: 100
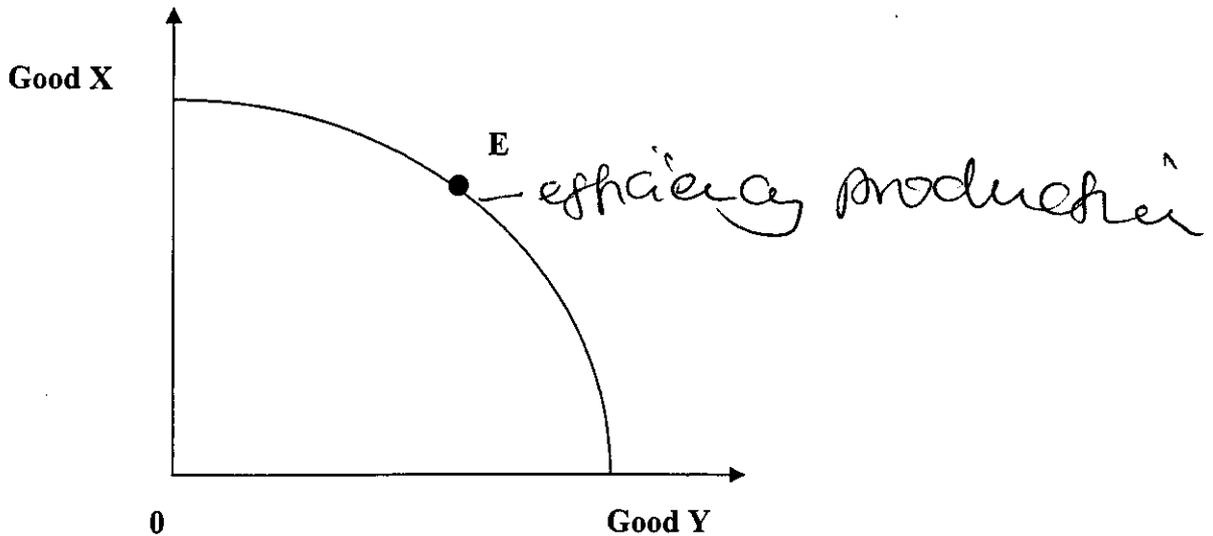

Time allowed: 3 hours

Instructions

1. The examination consists of **Four** sections: A, B, C and D

2. Begin each answer to a new question on a new page.

3. Answer questions according to instructions given in each section

4. Write answers in the answer booklet provided

5. Write in grammatical English

SECTION - MULTIPLE CHOICE QUESTIONS　　　　　　　[10 MARKS]

Answer ALL questions. Each question carries ONE (1) mark.

1. An arrangement that allows buyers and sellers to exchange things is called

   _____.

   A. a contract

   B. Money

   C. a market

   D. efficient

2. Deciding how a society's products are distributed among its citizens answers the
   economic question of _____.

   A. who consumes the products produced

   B. what products will be produced

   C. where will the products be consumed

   D. how will the products be produced.

3. The saying that "There's no such thing as a free lunch" refers to the

   _____.

   A. marginal principle.

   B. spillover principle.

   C. principle of opportunity cost.

   D. reality principle.

4. Land, labour , capital and entreprenuership are compensated through _____,
   _____, _____ and _____respectively.

   A. Profit, interest, wages, rent

   B. Wages, rent, interest, profit

   C. Rent, wages, interest, profit

   D. Interest, wages, rent, profit

5. The following diagram shows the production possibilities frontier for an economy.

efficiency production (handwritten annotation)

If the economy is producing at point E, which of the following must be true.

I. The economy is not fully employing its resources ✗

II. The economy can increase the production of good Y only if it decreases the production of good X.

III. The economy can move above the frontier without changing current techniques of production.

A. I only

B. II only ✓

C. I and III only

D. II and III only

6. Which of the following would *not* be an example of household production that is currently excluded from in GDP? _Gross Domestic Product_ (handwritten)

A. Childcare

B. landscaping by a paid gardener

C. Housecleaning

D. meal preparation

national income / _consumer consumption_ / _investment_ / _government spending_ (handwritten annotations)

7. In the traditional macroeconomic model's basic identity, Y= C + I + G + NX, which of the following is true?

foreign sector (handwritten)

A. The household sector is assumed to only engage in consumption spending, C.

B. The business sector is assumed to engage in investment, I.

C. The government sector is assumed to only engage in government (consumption) spending, G

D. All of the above. ✓

8. Enjoying art at a museum is an example of _____.

A. Production

B. Exchange

C. Consumption

D. Transfer

9. Which of the following shifts the demand for torches to the right?

A. an increase in the price of torches

B. a decrease in consumer incomes if torches are a normal good.

C. a decrease in the price of torch batteries if torch batteries and torches are complements.

D. none of these answers.

10. An economy is made up of three firms. Firm A mines a raw material, it pays P300 to its workers and it sells P200 worth of output to firm B and P300 worth to firm C (it has no other sales or costs). Firm B makes a consumer good and sells P500 worth, paying P200 to its workers. Firm C also makes a consumer good, selling P800 worth and paying its workers P200. There are no transactions between firms B and C. What is the value of GDP? → Total value of Services

A. P1200

B. P800

C. P1300

D. P2500

500 + 800

1300

1600

SECTION B – TRUE/FALSE QUESTIONS [10 MARKS]

Answer ALL questions. Each question carries ONE (1) mark.

State whether each of the following statements is TRUE or FALSE.

1. Economic models explore decision making by individuals, firms and other organizations. T

2. In the long run, all inputs are variable. T

3. If the price elasticity of demand is smaller than one then a change in the price will lead to a greater relative change in the quantity demanded. F

4. Assuming there is no inflation, a payment of P5,000 today has the same value as a payment of P5,000 six months from now. T

5. Per capita income is calculated by dividing the total income of a country by the number of inhabitants. T

6. An increase in government spending will create economic growth that is greater than the increase in spending. F

7. Full employment is the maximum utilisation of resources. T

8. Monopoly is more efficient than competition because competition prevents some of the gains from trade from being achieved. F

9. The AD-AS model is used to show the determination of the equilibrium levels of both output and price. T

10. The purpose of a price index is to indicate the average percentage changes of prices within a given period. T

Inflation
– General Change increase in price level

P1 –

DIPLOMA
July – December

BOCODOL

Sessional Examination
EC 101 – Economics I

SECTION C – SHORT ANSWER QUESTIONS   [30 MARKS]

Answer ALL questions.

1. Would an economist consider clean air a scarce resource? Explain your answer.

   Yes: Air is polluted by the industries on earth,   **(4 marks)**

2. Outline any five functions of capital.   **(10 marks)**

3. Differentiate between substitute products and complementary products.

   (4 marks)

4. You are given the following figures:

	P(million)
Net Trade surplus	140
Renumeration of employees	160
Provision for depreciation	5
Indirect taxation	7
Subsidies	12
Net factor payments	-15
Rent on Land	95
Interest on Investments	170

National income = Per Capital x population

Calculate

Gross Domestic Product

   a. GDP at factor costs = *renumation + Net trade Surplus + depreciation*   **(2 marks)**

   b. GDP at market prices = *GDP at Factor Cost + Indirectly Taxation – Subsidies*   **(2 marks)**

   c. GNP at market prices = *GDP at Market Price – Net*   **(2 marks)**
   Factor Paymet

   d. National income = *GNP at Market Price – Provision for Depreciation*   **(2 marks)**

5. Outline any four functions of an entrepreneur.   **(4 marks)**

32.

160 + 140 + 5 = 305

305 + 7 – 12 = 300

315 – 5

Plse Bocodol

SECTION D ESSAY QUESTIONS [50 MARKS]

Answer any two questions.

[handwritten: provision of clean water – toilets; ① Health; How many able to read/write – Facilities available in schools eg universit...; ② Education; ③ Mortality Rate]

QUESTION 1

Discuss any five factors that can be addressed to increase economic growth and development.

(25 marks)

QUESTION 2

Using diagrams, illustrate the concepts of efficiency, inefficiency, economic growth and technological improvement. *[handwritten: PPF / PPC]*

(25 marks)

[handwritten: Not long we PPC; Page 19 & 20]

QUESTION 3

[handwritten: Optimum Use of Resources; A B C O – efficient usage of resources]

The expected demand and supply for bread is shown below:

[handwritten: Shift PPC outside to the right. Increase production – Technology Improved use Supply more.]

Price (P)	Quantity Demanded (loaves)	Quantity supplied (loaves)
10	350	50
20	300	100
30	250	150
40	200	200
50	150	250
60	100	300
70	50	350

[handwritten beside supply column: O, 50, 100, 150, 200, 250, 300]

a) With the aid of a diagram, state the equilibrium quantity and price for bread.

(6 marks)

b) Suppose there was a baker's strike and bread production decreased by 50 units at each price. What would be the new equilibrium quantity and price? **(5 marks)**

c) Calculate, using the figures in the table above:

   i) The elasticity of demand for a change of price from P40 to P50. **(7 marks)**

   ii) The elasticity of supply for a change of price from P40 to P50. **(7 marks)**

[handwritten: $\frac{200-250}{(40+50)\div 2} \times 100$; $\frac{-50}{(40+50)\div 2} \times 100$]

[handwritten: $\frac{\text{change in demand}}{\text{average in price}} = \frac{50}{(40+50)\div 2} \times 100 = \frac{50}{90\div 2} \times 100$]