

**BOTSWANA COLLEGE OF DISTANCE
AND OPEN LEARNING**

Diploma in Business Management

Diploma in Human Resources Management

Economics I

EC101

Sessional Examination

Marks: 100

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.

Choose the best alternative answer.

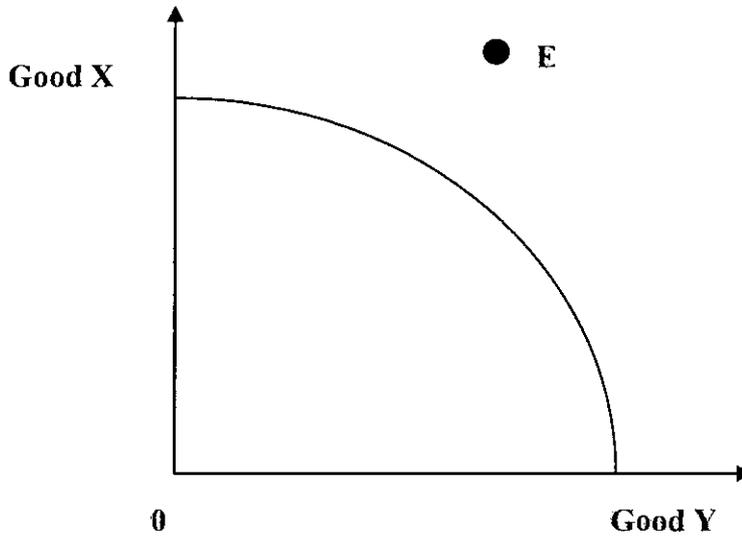
1. The subject matter of economics is the study of _____.
 - A. Wealth
 - B. Welfare
 - C. Income
 - D. Scarcity and choice

2. Deciding whether to use capital intensive or labour intensive methods of production in the economy 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. _____ comprises all the means used in the process of providing goods and services and is referred to as manmade resources.
 - A. Land
 - B. Labour
 - C. Capital
 - D. Entrepreneurship

4. In a free market system or capitalism system _____.
 - A. There is government intervention ✕
 - B. There is no government intervention ✓
 - C. The government divides resources ✕
 - D. The government has full responsibility of the economy ✕

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



*equal to 1
less than 1
greater than 1 - A*

Point E on the diagram above is _____.

- A. Efficient
 - B. Unattainable
 - C. Inefficient
 - D. Attainable
6. If price elasticity of demand is equal to one. This means that the good in question has _____ demand.
- A. Elastic
 - B. Perfectly Inelastic
 - C. Unit elastic
 - D. Perfectly elastic
7. _____ utility proposes that utility can be measured in units which can either be physical or monetary.
- A. Cardinal
 - B. Ordinal
 - C. Form

- D. Time
8. Which one of the following is not a macroeconomic objective?
- A. Control inflation
 - B. Unemployment
 - C. Promote economic growth -
 - D. Avoiding BOP difficulties
9. GDP at current value is also known as _____.
- A. Real GDP
 - B. Nominal GDP
 - C. GDP at market value
 - D. GDP at constant value
10. Farmer produces wheat and sell for P10 000
Miller converts wheat to flour and sells for P14 000
Baker makes bread and sells for P19 000
Retailer sells to final consumers for P25 000
The value of GDP is _____.
- A. P24 000
 - B. P68 000
 - C. P25 000
 - D. P44 000

*micro - small, niche
macro - large, cut*

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. Cultural needs have to be satisfied because human beings cannot live without them.
2. If there is an increase in cost of production of producing agricultural goods, quantity demanded of agricultural produce will be affected.
3. Inferior goods are those goods we choose to buy less as our incomes increases.
4. Total variable costs do not vary with the level of production.
5. Movement along a production possibility curve shows a reallocation of resources.
6. Change in price ceteris paribus results in both a movement along a demand curve and a shift of the demand curve.
7. If consumers expect the price of fuel to increase in the future quantity demanded of fuel will increase both now and in the future.
8. Expenditure approach to calculating GDP involves adding the incomes of all factors of production.
9. National income per capita figures can be used to measure economic performance of a country.
10. $GDP = C + I + G + (X + Z)$

SECTION D ESSAY QUESTIONS

[50 MARKS]

Answer any TWO questions from this section.

QUESTION 1

a. Discuss how a developing country can use supply factors to achieve the macroeconomic objective of attaining economic growth. **(20 marks)**

b. Briefly highlight the difference between economic growth and economic development.

(5 marks)

QUESTION 2

Compare and contrast a perfect competition and a monopoly market structure.

(25 marks)

QUESTION 3

Assume that Botswana can produce just two products, maize and wheat. Over a given period of time Botswana could produce any of the following combinations:

Maize (Bags)	Wheat (Bags)
0	100
10	95
20	85
30	70
40	40
50	0

a. Define and draw the Botswana's production possibility curve. Maize should be on the x-axis. **(5 marks)**

b. Describe any two factors which can lead to the production possibility curve shifting outwards. **(5 marks)**

c. Show how an increase in technology for both maize and wheat production processes would affect the production possibility curve. **(5 marks)**



d. Briefly explain how a production possibility curve can be useful in explaining scarcity, choice and opportunity cost. **(10 marks)**