

**BOTSWANA COLLEGE OF DISTANCE  
AND OPEN LEARNING**

**Diploma in Business Management**

**Diploma in Human Resources Management**

**Economics I**

**EC111**

**Sessional Examination**

**Marks: 100**

**Time allowed: 3 hours**

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**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. Macroeconomics is concerned with \_\_\_\_\_.
  - A. A consumer's decisions.
  - B. The study of demand, supply and prices of individual goods.
  - C. The study of the economy as a whole.
  - D. Individual output of a firm in an industry.
  
2. Which needs include the desire for religion, recreation and societal belonging?
  - A. Natural.
  - B. Luxury
  - C. Security
  - D. Cultural

Use the following table to answer question 3.

Possibility	Oranges	Apples
A	0	100
B	1	95
C	2	85
D	3	70
E	4	40
F	5	0

3. If the above country was producing two (2) units of good A, what is the opportunity cost of producing an extra unit of A?
  - A. 1 unit of good A.
  - B. -1 unit of good A.
  - C. -15 units of good B.
  - D. 15 units of good B.

4. An improvement in technology will \_\_\_\_\_.
- A. Shift the demand curve to the right.
  - B. Shift the supply curve to the left.
  - C. Shift the supply curve to the right.
  - D. Shift the demand curve to the left.
5. Which of the following determinants **does not** determine quantity supplied?
- A. Cost of production
  - B. Number of suppliers.
  - C. Population.
  - D. Technology.
6. A negative income elasticity indicates that a good is a \_\_\_\_\_ good.
- A. Normal
  - B. Inferior
  - C. Luxury
  - D. Essential
7. Which one of the following factors will **not** shift the demand curve, *ceteris paribus*?
- A. A change in the population.
  - B. A change in consumer taste.
  - C. A change in the price of the product concerned.
  - D. A change in the price of a complement.
8. Which one of the following does not positively influence economic development?
- A. Inflation.
  - B. Population growth.
  - C. Natural resources.
  - D. Capital infrastructure.



9. Gross national product = \_\_\_\_\_.
- A. GDP + taxes – subsidies
  - B. GDP – taxes + subsidies
  - C. GDP – net factor payments to the rest of the world
  - D. GDP – consumption of fixed capital
10. A market structure characterised by a large number of sellers and homogeneous product is \_\_\_\_\_.
- A. Monopoly
  - B. Oligopoly
  - C. Perfect competition
  - D. Monopolistic competition

**SECTION B – MATCHING QUESTIONS**

**[10 MARKS]**

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

Match the economic concepts given in column A with its correct description in column B. Write down the numbers 1 to 10 in your answer booklet and next to each number write the letter that represents the correct answer.

	COLUMN A		COLUMN B
1	Production possibility curve	A	Sensitivity of demand to changes in prices.
2	Monopoly	B	Reduction or elimination of poverty, inequalities and unemployment in the economy so as to improve the quality of life.
3	Command economy	C	All human effort, physical or mental aimed at the production of goods and services.
4	Law of demand	D	Supply of a product is in the hands of one firm only.
5	Free market economy	E	Total market value of output after taking into account the value of money changes due to inflation.
6	Total costs	F	An economy in which decisions are made by the government or central authority.
7	Elasticity of demand	G	Larger quantity will be bought at lower prices, and smaller quantities will be bought at higher prices, ceteris paribus.
8	Economic development	H	An economy in which the price mechanism is used to make decisions.
9	Labour	I	Addition of fixed costs and variable costs.
10	Real Gross Domestic Product (GDP)	J	Curve which shows all the combinations of any two goods that are attainable when all the resources are fully and efficiently employed.



**SECTION C – SHORT ANSWER QUESTIONS**

**[30 MARKS]**

Answer ALL questions.

1. Differentiate between the following:
  - i. Microeconomics and macroeconomics **(2 marks)**
  - ii. Substitute goods and complimentary goods **(2 marks)**
  
2. With the aid of two (2) separate diagrams, explain the difference between a movement along a demand curve and a shift of the demand curve, (change in quantity demanded and change in demand). **(8 marks)**
  
3. What are the three (3) key questions relating to an economy? **(3 marks)**
  
4. Complete the following table:

<b>Factor of production</b>	<b>Compensation (Reward)</b>
Land – Natural resources	
Labour	
Capital	
Entrepreneurship	

**(4 marks)**

5. List any two factors that influence price elasticity of demand. **(2 marks)**
  
6. List and explain any two goals of macroeconomics. **(4 marks)**
  
7. Briefly discuss the relationship between households (consumers) and businesses (firms) in the circular flow of income. **(4 marks)**

8. Given the following information, calculate the income per capita of Botswana:

Population of Botswana	2 000 000	
Population of Zimbabwe	16 000 000	
National income of Botswana	64 000 000 000	(1 mark)

**SECTION D ESSAY AND STRUCTURED QUESTIONS**
**[50 MARKS]**

Answer any two questions.

**QUESTION 1**
**[25 MARKS]**

- a) Discuss any three (3) factors that influence economic growth. **(9 marks)**
- b) Explain the difference between the following:
- Expenditure approach and income approach used to determine Gross Domestic Product (GDP). **(4 marks)**
  - Primary sector economic activities and secondary sector economic activities. **(4 marks)**
  - Gross Domestic Product (GDP) and Gross National Product (GNP). **(4 marks)**
- c) List any four (4) problems that can be encountered when estimating Gross Domestic Product (GDP). **(4 marks)**

**QUESTION 2**
**[25 MARKS]**

a) The demand and supply figures for clothes are as follows:

Price	Quantity demanded	Quantity supplied
20	3000	1000
25	2500	1500
30	2000	2000
35	1500	2500
40	1000	3000

- i. Identify the equilibrium price and equilibrium quantity. **(2 marks)**

- ii. Define market equilibrium. **(2 marks)**
- iii. Draw a diagram to illustrate market equilibrium using the information in the table above. **(5 marks)**
- iv. If the government imposes a minimum price of P25, what will happen in this market? **(2 marks)**

b) The following information shows quantity demanded when prices of bread was changed from P6 to P4:

Price	Quantity
6	3000
4	4000

- i. Calculate price elasticity of demand. **(4 marks)**
- ii. Interpret the answer in (i) above. **(2 marks)**
- c) Explain the concept of diminishing marginal utility. **(2 marks)**

d) Complete the following table:

Quantity	Total utility	Marginal utility
0	0	
1	50	
2	88	
3	121	
4	150	
5	175	

**(6 marks)**

**QUESTION 3**

**[25 MARKS]**

- a) With the use of a Production Possibility Curve (PPC), illustrate and explain the concepts of efficiency, inefficiency, economic growth, scarcity and choice.

**(12 marks)**

- b) Monopoly and perfect competition are completely opposite market structures. List four (4) characteristics of each of these two market structures. **(8 marks)**
- c) Why would perfect competition be regarded as the better form of market structure as compared to a monopoly? **(2 marks)**
- d) Define the following costs:
- i. Fixed costs
  - ii. Variable costs
  - iii. Marginal costs **(3 marks)**

**END OF EXAMINATION**