

**BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

**In collaboration with  
ZIMBABWE OPEN UNIVERSITY**

**Diploma in Business Management**

**ECONOMICS II**

**D-EC 02**

**SPECIAL EXAMINATION**

**Marks – 100**

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**Time Allowed 3 Hours**

**Instructions to candidates**

1. This examination contains four sections (A, B, C and D). Answer **all questions** in Section A, B, C and **2 questions** in Section D
2. Answer all questions in the answer book provided
3. Start a question on a new page
4. Write legibly in grammatical English.
5. Use examples where possible to support your explanations

**Section A – Multiple choice questions.**

**[10 Marks]**

**Answer all questions in section A: Each question carries one (1) mark**

1) The following are assumptions of cardinal utility theory except:

- A. Rationality
- B. Diminishing marginal utility
- C. Ordinal util
- D. Additive utils

2) Bolton Report defines a small firm as a manufacturing institution which has an upper limit of:

- A. 100 employees
- B. 200 employees
- C. 300 employees
- D. 150 employees

3) Which one of the following is not a property of an isoquant:

- A. Slope is the marginal rate of substitution
- B. convex to the origin
- C. Linear
- D. Never intersect

4) Which one of the following is an example of an oligopoly market?

- A. supermarkets
- B. provision of electricity
- C. Orange, Be Mobile and Mascom
- D. bars and night clubs

5) Investment risk refers to:

- A. The decrease in the market value of securities and other investments.
- B. Movements in the market interest rates causing fluctuations in the net interest income of investors.
- C. Foreign exchange transactions which come about as a result of imports and exports of goods and services.
- D. when banks are unable to pay their depositors on demand.

6) Money is:

- A. a store of value
- B. a medium of exchange
- C. Is means to pay deferred payments
- D. All of the above

7) The following are targeted mainly by the tools of a monetary policy:

- A. Government spending and taxes
- B. Money supply and taxes
- C. Money supply and interest rates
- D. Government spending and interest rates

8) \_\_\_\_\_ is a tax on company profits.

- A. Income tax
- B. Value Added Tax (VAT)
- C. Council tax
- D. Corporate tax

9) Which of the following is a method of protectionism in international trade:

- A. Tariff
- B. Profits
- C. Interest rates
- D. Treasury bills

10) An economy with no external trade is called:

- A. Autarky
- B. Open economy
- C. Developing economy
- D. Developed economy

**Section B - True or false questions**

**[10 marks]**

**Answer True or False to the following statements.**

1. Cardinal approach suggests that satisfaction can be measured using utils.
2. Trade liberalization means that a country is significantly reducing trade barriers.
3. Economic profit is higher than accounting profit.
4. A monopoly market structure has many buyers and sellers as well as identical products.
5. Macroeconomics deals with operation of the overall economy such as consumption, investment, and government spending.
6. A money market trades in short term financial assets.
7. Marginal revenue productivity (MRP) is a theory of wages where workers are paid the value of their marginal revenue product to the firm.
8. The demand curve for labour can be shifted upwards by an increase in education.
9. The Bank of Botswana is responsible for conducting the monetary policy and implementing the exchange rate policy.
10. A protective tariff is used to protect domestic industries from foreign competition.



**Section C – Short answer questions**

**[40 marks]**

1. What is an indifference curve **[3 marks]**
2. Explain clearly any one theory of profits. **[5 marks]**
3. Outline any three characteristics of a perfectly competitive firm. **[6 marks]**
4. Analyse the various functions of money. **[4 marks]**
5. Define the following terms:
  - i) Structural unemployment **[2 marks]**
  - ii) Seasonal unemployment **[2 marks]**
  - iii) Technological unemployment **[2 marks]**
- \*6. State and briefly explain the two main tools that can be used to administer a fiscal policy. **[4 marks]**
7. Keynes identified transactionary, precautionary and speculative motives of holding wealth as money. Discuss and distinguish each of these motives. **[10 marks]**
8. Define protectionism? **[2 marks]**

**Section D – Essay questions**

**[40 marks]**

**Choose and answer only two (2) questions from this section. [Each question carries 20 marks.]**

1. Define monetary policy and clearly discuss any five (5) instruments that can be used by the central bank to control the supply of money and interest rates. **[20 marks]**
2. Describe the two major types of inflation and discuss the strategies used by your government to control each of them. What are the costs of inflation? **[20 marks]**

3. Economic integration is a type of arrangement in which countries agree to coordinate their trade, fiscal and monetary policies. Discuss at least 4 types of economic integrations and evaluate the benefits of Botswana being part of an economic integration like SADC.

**[20 marks]**

**END OF EXAMINATION**

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**ECONOMICS II**

**D-EC 02**

**SESSIONAL EXAMINATION**

**Marks – 100**

**Time Allowed 3 Hours**

**Instructions to candidates**

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**Section A – Multiple choice questions.**

**[10 Marks]**

**Answer all questions in section A: Each question carries one (1) mark**

- 1) The law of diminishing marginal utility states that:
- A. Consumer utility increases as he consumes more of a product
  - B. Consumer utility decreases as he consumes more of a product
  - C. Additional utility from an extra unit consumed decreases as more of the good is consumed
  - D. Additional utility from an extra unit consumed increases as more of the good is consumed
- 2) Normal profit is the minimum payment required to keep an entrepreneur in his/her line of business. A firm's normal profits are calculated as:
- A. Total revenue – explicit cost
  - B. Total revenue – economic costs
  - C. Total revenue + explicit cost
  - D. Total revenue + economic costs
- 3) Supply of labour is controlled by the following factors except:
- A. Population size
  - B. Trade unions
  - C. Interest rates
  - D. Labour force structure

- 4) Which one of the following is an example of a monopoly?
- A. Choppies supermarket
  - B. Botswana Power Corporation
  - C. Home Corp
  - D. Lizard Lounge bar and club
- 5) Macroeconomics focuses on the performance of:
- A. Individual consumers.
  - B. Business firms.
  - C. Government agencies.
  - D. The economy as a whole.
- 6) Money as a medium of exchange:
- A. Acts as a store of value
  - B. Increases exports
  - C. Is generally accepted as a means of payment for goods and services
  - D. None of the above
- 7) Money market funds are:
- A. Funds that invest in short term instruments
  - B. Loans made by one bank to another for a specified period of time
  - C. Deposits of a certain minimum which can be withdrawn in total or partially
  - D. short term obligations of the government

8) Unemployment rate =

- A.  $\frac{\text{unemployed}}{\text{Economically active population}}$
- B.  $\frac{\text{employed}}{\text{Economically active population}}$
- C.  $\frac{\text{Economically active population}}{\text{unemployed}}$
- D.  $\frac{\text{Economically active population}}{\text{employed}}$

9) Which of the following is a measure of protectionism in international trade :

- A. Quota
- B. Profits
- C. Interest rates
- D. Treasury bills

10) A tax subsidy:

- A. Involves a direct cash transfer to the recipient
- B. Is a subsidy used to pay for labour costs
- C. Is meant to encourage the development of particular industries
- D. Is received through tax deductions for workers in certain industries

**Section B - True or False questions**

**[10 marks]**

1. Ordinal approach suggests that satisfaction can be measured using utils.
2. An indifference curve has a negative slope.
3. The consumer is in equilibrium when he maximizes his utility, given his income and the market prices.
4. A perfectly competitive market structure has many buyers and sellers as well as identical products.
5. Microeconomics deals with operation of the overall economy such as consumption, investment, and government spending.
6. A money market trades in goods and services.
7. J. M. Keynes is a renowned economist known for his Keynesian theory.
8. The main monetary policy tools aim to control money supply and interest rates.
9. Countries that avoid trading with other countries are referred to as being in a state of autarky.
10. A country's ability to produce a specific good with fewer resources than another country determines whether it has a comparative advantage in producing the good.

**Section C – Short answer questions**

**[40 marks]**

1. Define the equi-marginal principle. **[3 marks]**
2. Using a diagram illustrate and explain consumer equilibrium. **[5 marks]**
3. State the importance of profit in a business **[6 marks]**
4. Explain the various functions of money. **[4 marks]**
5. Illustrate the difference between cost-push and demand pull inflation. **[6 marks]**
6. List and briefly explain the two main tools that can be used to administer a fiscal policy. **[4 marks]**



7. List any four (4) examples of taxes and distinguish the following types of taxes:
  - i. Progressive tax
  - ii. Regressive tax
  - iii. Proportional tax
8. What is a free trade area?

[10 marks]

[2 marks]

Section D – Essay questions

[40 marks]

Choose and answer only TWO (2) questions from this section. [Each question carries 20 marks]

1. Briefly outline the characteristics of a monopoly and explain, using appropriate diagrams, the short run and long run conditions of a monopoly firm. What are the disadvantages of a monopoly? [20 marks]
- ✓ 2. Define any four types of unemployment and discuss the strategies used by your government to control each of them. What are the costs of unemployment? [20 marks]
3. Describe the reasons for the existence of international trade and identify methods of trade protectionism measures used in Botswana and Africa. [20 marks]

*fractional*

*structural* ✓ - population control - bilateral reduction

*widder* - survival skills - training - reduce tariffs

*cyclical un* - agricultural sector - share technology

✓ - ~~increase~~ send to school ✓ - share latest developments

- reduce retirement age ✓ - search for markets

- voluntary separation packages ✓ - consistency to resources