

**BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

**In collaboration with**

**ZIMBABWE OPEN UNIVERSITY**

**Diploma in Human Resources Management**

**Diploma in Business Management**

**ECONOMICS II**

**EC102**

**SESSIONAL 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 and diagrams where possible to support your explanations



**SECTION A – Multiple choice questions.**

**[10 Marks]**

**Answer ALL questions. Each question carries one (1) mark**

- 1) Which of the following statements about indifference curves is not correct?
- A. Indifference curves plot combinations of baskets of goods between which a consumer has the same level of total utility.
  - B. Indifference curves are generally negatively sloped if the goods involved are normal goods but they could be positively sloped if one of the products involves is an inferior good.
  - C. Without utility being quantifiable we can say that one indifference curve is higher than (or preferred to) another but we cannot say by how much.
  - D. Two different indifference curves can intersect but only once.
- 2) Resources in an economy \_\_\_\_\_.
- A. Are always fixed
  - B. Can never decrease
  - C. Always increase over time
  - D. Are limited at any moment in time
- 3) Which best describes a demand curve?
- A. The quantity consumers would like to buy in an ideal world
  - B. The quantity consumers are willing to sell
  - C. The quantity consumers are willing and able to buy at each and every income all other things unchanged
  - D. The quantity consumers are willing and able to buy at each and every price all other things unchanged



- 4) Which one of the following is not an example of a monopoly?
- A. Water utilities corporation
  - B. Botswana Power Corporation
  - C. Home Corp
  - D. Botswana Defence Forces
- 5) An increase in the costs of production will \_\_\_\_\_.
- A. Shift demand outwards
  - B. Shift demand inwards
  - C. Shift supply outwards so more is supplied at each and every price, all other things unchanged
  - D. Shift supply inwards Individual consumers
- 6) A possible reason to impose a protectionist policy such as a tariff is to \_\_\_\_\_.
- A. slow domestic production.
  - B. increase the welfare of domestic consumers.
  - C. protect domestic workers from foreign competition.
  - D. None of the above
- 7) Which of the following is NOT conditions of perfect competition?
- A. A large number of firms
  - B. Freedom of entry and exit into and out of the market
  - C. Perfect mobility of factors
  - D. Informative advertising to ensure that consumers have good information
- 8) Which of the following is not a characteristic of a monopolistically competitive market?
- A. free entry and exit



- B. long-run economic profits
- C. many sellers
- D. differentiated products

9) Which government agency was formed in 2009 to aid the prevention of anti-competitive practices in the economy and the removal of constraints on the freeplay of competition in the market?

- A. The Competition Authority
- B. Non Bank Financial Institutions regulatory Authority of Botswana(NBFIRA)
- C. Botswana International Financial Services Centre (IFSC)
- D. Botswana National Competition Trust

10) To say money is a store of value means \_\_\_\_\_.

- A. the value of money is not affected by inflation
- B. It facilitates purchases and sales
- C. it is a way of saving purchasing power to be used when needed
- D. all the above

**SECTION B – TRUE/FALSE QUESTIONS**

**20 MARKS**

**Answer ALL questions. Each question carries TWO (2) marks.**

**State whether each of the following statements is TRUE or FALSE, and briefly explain your answer in one or two sentences.**

1. If firms in an oligopoly form a cartel, the outcome is the same as it would be under a monopoly.
2. A budget surplus is a situation in which total government revenues are less than total government expenditures.



3. Isoquants are convex to the origin.
4. A monopolistically competitive market structure has many buyers and sellers as well as identical products.
5. Bankers Acceptance is a short term obligation of the government.
6. Trade liberalisation is a situation in which governments are liberal in the choice of protective methods to control the inflow and outflow of internationally traded goods.
7. Fiscal policy focuses on the use of government spending, money supply and interest rate changes as methods of managing the economy.
8. The liquidity preference theory states that there is a direct relationship between the quantity of money in an economy and the level of prices of goods and services.
9. A monopoly though powerful can only control either the quantity or the price of its product but not both quantity and price.
10. A country's ability to produce a specific good with fewer resources than another country determines whether it has an absolute advantage in producing the good.

**SECTION C – SHORT ANSWER QUESTIONS**

**(30 MARKS)**

1. Describe two features of monopolistic competition that differentiate it from monopoly. **(5 marks)**
2. Give one reason why indifference curves cannot cross on an indifference map? **(5 marks)**
3. List five macroeconomic objectives that economists think should be of concern to government. **(5 marks)**
4. Outline any two causes of unemployment. **(5 marks)**
5. Explain five characteristics of an oligopoly industry. **(10 marks)**

**SECTION D – ESSAY QUESTIONS**

**(40 MARKS)**

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

1. Outline the advantages and disadvantages of free trade. **(20 marks)**
  
2. A firm can sell its product for P20 each in a perfectly competitive output market. Its total cost of production for the production range of 200 units to 205 units is given below:

Output	Total Cost (Pula)
200	3600
201	3615
202	3634
203	3652
204	3672
205	3700

- a) Calculate the total revenue and the marginal cost for each level of output? **(12 marks)**
  
  - b) Giving reasons, state the profit maximising level of production? **(3 marks)**
  
  - c) With the aid of diagrams, distinguish between an isocost and an isoquant. **(5 marks)**
3. Discuss any 5 money market instruments that you are familiar with. **(20 marks)**