

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

ZIMBABWE OPEN UNIVERSITY

Bachelor of Commerce Degree

Human Resources Management & Industrial Relations

PRINCIPLES OF ECONOMICS

PE 101

SESSIONAL EXAMINATION

Marks – 100

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 A

[10 MARKS]

MULTIPLE CHOICE QUESTIONS

Answer ALL questions

Each question carries 1 mark

1. The total market value of all final goods and services produced in a country is called _____.
 - A. gross national product
 - B. gross domestic product
 - C. net national income
 - D. gross national income

2. At the market equilibrium, resources are allocated efficiently because _____.
 - A. the marginal cost of producing another unit is equal to zero
 - B. the price buyers pay accurately reflects the marginal cost of the resources used to produce the good
 - C. the price buyers pay is greater than sellers' willingness to sell
 - D. all of the above

3. An indifference curve is convex to the origin because _____.
 - A. consumers have a limited income
 - B. of the law of diminishing marginal utility
 - C. more is better
 - D. preferences remain constant

4. If a household's income is doubled, the budget constraint _____.
 - A. will shift out parallel to the old one
 - B. will pivot around the Y-intercept
 - C. will shift in and parallel to the old one
 - D. is not affected



5. If a firm's total costs are P80 when 10 units of output are produced and P90 when 11 units of output are produced, the marginal cost of the 11th unit is _____.
- A. P1
 - B. P5
 - C. P8.09
 - D. P10
6. Which of the following arguments is often used against free trade?
- A. price stability
 - B. restricted productivity
 - C. tax revenue
 - D. infant industry
7. Assume that a computer company operates in a perfectly competitive market producing 5,000 computers per day. At this output level, price exceeds this firm's marginal cost. It follows that producing one more computer will cause this firm's _____.
- A. total cost to decrease
 - B. profits to increase
 - C. profits to decrease
 - D. profits to remain unchanged.
8. After raising two children, Mona has started looking for a job and sent out a few job applications. What type of unemployment is she experiencing?
- A. frictional unemployment
 - B. structural unemployment
 - C. cyclical unemployment
 - D. Mona would not be counted as unemployed as she is not in the labour force
9. At the utility-maximizing level of consumption, _____.
- A. The last pula spent on each good produces the same marginal utility
 - B. Total expenditure equals total utility

- C. Marginal expenditure is the same for both goods in question
D. Consumption is at competitive equilibrium
10. A curve showing all combination of goods that yield the same satisfaction is known as _____.
- A. the budget curve
B. an indifference curve
C. the marginal rate of substitution curve
D. the consumption limit curve

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. Public goods, externalities, transactions costs, market power, the difficulty of getting information, and concern for human needs and equity are all examples of issues that lead to market failure. **(1 mark)**
2. In a situation of shortage, the quantity supplied exceeds the quantity demanded. **(1 mark)**
3. The demand curve for a good shows the same information as the demand schedule. **(1 mark)**
4. In a situation of monopolistic competition, no close substitutes are available. **(1 mark)**
5. The economic rent is calculated as the factor's actual earnings less the transfer earnings. **(1 mark)**
6. Under the speculative demand for money, people hold a certain amount of money to make up for any possible mismatch between expenditure and receipts. **(1 mark)**
7. Debt caused by borrowing the IMF is called multilateral debt. **(1 mark)**
8. The availability of substitutes is one of the determinants of the elasticity of demand. **(1 mark)**
9. A key assumption of most economic analyses is that people act rationally, meaning they respond to incentives. **(1 mark)**



10. Opportunity cost is the difference between the benefit and cost of some action.

(1 mark)

SECTION C

[30 MARKS]

SHORT ANSWER QUESTIONS

Answer ALL questions

1. Explain any four solutions to national debt problems. **(8 marks)**
2. Briefly describe the four types of resources used in production **(8 marks)**
3. Briefly outline any three characteristics of a perfectly competitive industry. **(6 marks)**
4. Discuss any two strategies that can be used by your government to control structural and cyclical unemployment. **(8 marks)**



SECTION C

[50 MARKS]

ANSWER ANY TWO QUESTIONS IN THIS SECTION.

QUESTION 1

25 MARKS

Copy and complete the following table.

Quantity Produced	Total Cost (Pula)	i) Fixed Cost	ii) Average Cost	iii) Marginal Cost
0	40			
1	50			
2	59			
3	67			
4	75			
5	86			
6	99			
7	116			
8	138			
9	164			
10	194			

QUESTION 2

25 MARKS

Define a free market economy and discuss any four advantages and any three disadvantages of a free market economy.

QUESTION 3

25 MARKS

Discuss any six methods of trade protectionism measures that can be used in an economy
(25 marks)