

**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**

**EC211**

**SESSIONAL EXAMINATION**

**Marks – 100**

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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 A

[10 MARKS]

MULTIPLE CHOICE QUESTIONS

Answer ALL questions

Each question carries 1 mark

1. The study of the choices made by individual households, firms, and government is called \_\_\_\_\_.  
A. Macroeconomics  
B. Microeconomics  
C. managerial economics  
D. market economics.
2. When referring to "marginal" changes, the economic focus is on \_\_\_\_\_  
A. changes which affect only a few people or products  
B. large changes on the low end  
C. graduated changes on the high end  
D. small or incremental changes.
3. The value of money or income in terms of the quantity of goods the money can buy is called its \_\_\_\_\_.  
A. real value  
B. marginal value  
C. nominal value  
D. implicit value.
4. An individual or country that has a comparative advantage in the production of one good \_\_\_\_\_.  
A. must have an absolute advantage in the good's production  
B. must not have an absolute advantage in the good's production  
C. may or may not have an absolute advantage in the good's production

- D. must not have an absolute advantage in the production of the other good.
5. Suppose that a market for a product is in equilibrium at a price of P5 per unit. At any price above P5 per unit \_\_\_\_\_.
- A. there will be an excess demand for the product
  - B. there will be an excess supply of the product
  - C. the quantity demanded of the product will be greater than the quantity supplied of that product
  - D. there will be a shortage of that product
6. The demand curve facing a monopolistically competitive firm is \_\_\_\_\_.
- A. horizontal at the going market price
  - B. downward sloping and less than the market demand curve
  - C. downward sloping and greater than the market demand curve
  - D. the same as the market demand curve.
7. Which of the following is a problem associated with high unemployment?
- A. underutilization of national resources
  - B. loss of income
  - C. social unrest and loss of social cohesion
  - D. all of the above
8. Gross domestic product minus depreciation equals which of the following?
- A. Disposable income
  - B. Personal income
  - C. Net domestic product
  - D. Consumption

Questions 9-10 are based on the following information.

Assume that the required reserve ratio is 20 percent and that a bank is currently fully loaned up, but it receives a cash deposit of P500 from a new customer.

9. The bank is legally required to \_\_\_\_\_.
- A. keep 20 percent of the P500 as reserves
  - B. keep 80 percent of the P500 as reserves
  - C. lend 20 percent of the P500 and keep the rest as reserves
  - D. send 80 percent of the P500 to the Central Bank
10. The maximum increase in the money supply that can be generated from this deposit is \_\_\_\_\_.
- A. P400
  - B. P500
  - C. P2,000
  - D. P2,500

**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. Income elasticity of demand is a measure of the responsiveness of quantity demanded to changes in consumers' incomes.
2. In the long run, all factors of production are variable.
3. Perfect Competition is characterised by a large degree of government intervention.
4. A country's production possibilities curve illustrates a particular combination of goods and services which is most desirable for the inhabitants of that country.
5. The slope at any point on an indifference curve is known as the marginal rate of substitution.
6. Taxes are an important instrument of monetary policy.
7. Fixed Capital Formation is the creation of capital goods or addition to capital stock.
8. Non-excludability ehatils that benefits from a commodity are not confined to one individual or household.
9. Transfer payments are payments necessary to a factor of production to retain its present form of occupation.
10. Uncertainty is one of the benefits that come with the institution of monetary policy.



**SECTION C**

**[30 MARKS]**

**SHORT ANSWER QUESTIONS**

**Answer ALL questions**

1. Evaluate any two economic rationale for the public sector. **(6 marks)**
2. Summarise any three attributes of an ideal tax system. **(9 marks)**
3. State any three factors that affect supply. **(3 marks)**
4. Suppose the price of Good X changes from P8 to P5 while the quantity demanded changes from 4units to 10 units, respectively. Calculate the price elasticity of demand. **(6 marks)**
5. With the aid of a diagram, differentiate between the average cost and the marginal cost. **(6 marks)**

**SECTION D**

**[50 MARKS]**

**ANSWER ANY TWO QUESTIONS IN THIS SECTION.**

**QUESTION 1**

**25 MARKS**

Copy and complete the following table.

**(25 marks)**

Feature/criterion	Perfect Competition	Monopolistic Competition	Oligopoly	Monopoly
Number of Firms				
Nature of product				
Entry and exit into the market				
Information				
Firm's control over the price of the product				
Demand curve for the firm's product				
Long-run economic profit		)		

**QUESTION 3**

**25 MARKS**

- a) Labour supply is the physical and mental effort that people put in production. Scrutinise the determinants of labour supply. **(12 marks)**



b) Discuss any three causes of market failure.

**(9 marks)**

**QUESTION 4**

**25 MARKS**

a) Discuss any five instruments of Monetary Policy.

**(20 marks)**

b) State any five attributes of Money.

**(5 marks)**

**END OF EXAMINATION!!!**