



HEBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

DEPARTMENT OF ECONOMICS & FINANCE

MAIN EXAMINATION

BACHELOR OF COMMERCE DEGREE

PART 1 SEMESTER 1

PRINCIPLES OF ECONOMICS

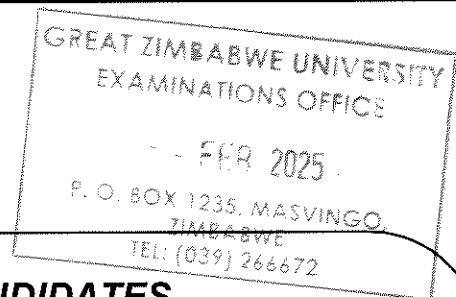
HEC114

DATE

2024

DURATION

3 HOURS



INSTRUCTIONS TO CANDIDATES

- 1. Answer any four questions*
- 2. All questions carry equal marks*
- 3. Start each answer on a fresh page*
- 4. Show all workings, where applicable*

QUESTION 1

(a) Critically discuss any five justifications for government intervention in market operations.

[10 marks]

(b) Discuss the five-sector circular flow model of expenditures and income. [9 marks]

(c) Briefly discuss factors that affect the supply for healthcare in Zimbabwe. [6 marks]

[Total 25 marks]

QUESTION 2

(a) Discuss, using clearly labelled diagrams, the income and substitution effects for inferior goods. [8 marks]

(b) Using clearly labelled diagrams, discuss the relationship between total product, average product and marginal product curves, indicating the following points: maximum average productivity, point of diminishing marginal productivity and point of diminishing average productivity. [9 marks]

(c) Discuss, giving examples, the tragedy of the commons and explain how the problem might be resolved. [8 marks]

[Total 25 marks]

QUESTION 3

(a) With the aid of clearly labelled diagrams, explain the main distinctions between a pure monopolist and a firm operating under monopolistic competitive market. [12 marks]

(b) With the help of a clearly labelled diagram, discuss the impact of a subsidy on consumer and producer surpluses, product price and quantity demanded. [8 marks]

(c) Explain the importance of understanding the concept of elasticity of demand to Masvingo City Council. [5 marks]

[Total 25 marks]

QUESTION 4

(a) Explain the major factors influencing the rate of capital flight in Zimbabwe. [9 marks]

(b) Discuss the various ways that can be used by the Government of Zimbabwe to promote innovation and industrialisation. [7 marks]

- (c) Describe the monetary and fiscal measures that could be taken to increase the country's competitiveness advantage. [9 marks]

[Total 25 marks]

QUESTION 5

- (a) Discuss the three primary instruments used by central banks to control money supply.

[9 marks]

- (b) Discuss the justifications for trade protectionism, using examples that are relevant to the situation in Zimbabwe.

[9 marks]

- (c) Differentiate between trade creation and trade diversion.

[7 marks]

[Total marks 25]

END OF EXAMINATION