



GREAT ZIMBABWE UNIVERSITY  
RECEIVED  
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EXAMINATIONS OFFICE

**CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES**

**DEPARTMENT OF ECONOMICS AND FINANCE**

**BACHELOR OF COMMERCE DEGREE**

**LEVEL 1 SEMESTER 1**

**EXAMINATION QUESTION PAPER**

<b>MODULE CODE</b>	<b>HEC115/HEC118</b>
<b>MODULE NARRATION</b>	<b>ECONOMIC PRINCIPLES 1/PRINCIPLES OF MICROECONOMICS</b>
<b>DATE</b>	<b>2024</b>
<b>DURATION</b>	<b>3 HOURS</b>

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**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 3

- (a) Explain the difference between cardinal utility and ordinal utility. [4 marks]
- (b) Suppose a consumer is consuming two goods, X and Y. Using the utility theory of consumer behaviour, explain how the consumer reaches a point of equilibrium (maximizes utility). [12 marks]
- (c) Given the equilibrium in (b) above, suppose the price of good X falls, ceteris paribus. Show how this affects the consumer's equilibrium. Hence, explain why the demand for good X downward sloping is. [9 marks]

[Total 25 marks]

### QUESTION 4

- (a) Explain with numerical and/or graphical illustrations, the shutdown rule in production economics. [10 marks]
- (b) Explain the difference between marginal returns and returns to scale. [5 marks]
- (c) Using the envelop theorem, derive a firm's long run average total cost curve (LATC).

[10 marks]

[Total 25 marks]

### QUESTION 5

- (a) Explain and illustrate a competitive firm's profit maximizing rule. [5 marks]
- (b) With the aid of diagrams, explain the short run and long run market equilibrium conditions for a firm under a monopolistic competitive market structure. [13 marks]

[Total 25 marks]

**END OF EXAMINATION**