SCHOOL OF EDUCATION

PART 2

MICROECONOMICS [TDSB211]

MAY/JUNE 2025

DURATION: 3 HOURS

Lecturer: Mr R. Muneri

INSTRUCTIONS

1. **Answer section A and choose any three questions from section B.**
2. Begin your answer to each question on a new page.
3. Please indicate the study format (Conventional/Block/Parallel) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of seven printed pages including the cover page

SECTION A: (Compulsory) 40 Marks

Question 1

1.1. Define economics **(2 Marks)**

1.2. With the aid of an example, explain what is meant by "opportunity cost" **(2 Marks)**

1.3. Giving examples, clearly explain the difference between normative and positive economics? **(4 Marks)**

1.4. Name the four factors of production. **(4 Marks)**

1.5. Name any four economic participants **(4 Marks)**

1.6. With aid of a production possibility curve, explain scarcity, opportunity cost and choice **(6 Marks)**

1.7. Explain clearly the difference between passive demand and effective demand of a good. **(4 Marks)**

1.8. Fill in the market demand column. **(2 Marks)**

Price per kg ($)	Jones	Khumalo	Peter	Market demand
4	3	6	9	
3	4	8	12	
2	5	10	15	
1	6	12	18	

1.9. List any four determinants of price elasticity of demand for a good **(4 Marks)**

1.10. What is utility? **(2 Marks)**

1.11. What is the utility maximising condition for a consumer who faces a choice of two goods **(2 Marks)**

1.12. What is the difference between accounting profit and economic profit? **(4 Marks)**

Section B (60 marks)

Answer any three questions from this section

Question 2

2.1. Study the following supply and demand information.

Q_S= 20+ 4P

Q_d= 80- 2P

i. What is the equilibrium price? **(2 Marks)**

ii. What is the equilibrium quantity**(2 Marks)**

iii. Sketch the information on a clearly labelled diagram (making sure to show the supply and demand equation vertical intercepts? **(4 Marks)**

iv. At equilibrium price and quantity, calculate total surplus (Hint: Total surplus= Producer surplus + Consumer surplus? **(4 Marks)**

v. If the government fixes the price at P=$8, identify and calculate the shortage or surplus that would exist. **(3 Marks)**

vi. What remedies/ ratification option would the government use to eliminate the surplus/ shortage you have identified in (v) above? **(3 Marks)**

vii. How will an increase in demand affect the equilibrium price and quantity in this market? **(2 Marks)**

Question 3

a. Discuss the characteristics of perfectly competitive market structures **(10 Marks)**

b. Explain the short-run profit positions of firms operating in perfectly competitive markets **(10 Marks)**

Question 4

4.1. Why is the knowledge of price elasticity of demand important to pricing and marketing managers**(5 Marks)**

4.2. What factors determine the price elasticity of demand of a good **(5 Marks)**

4.3. The average income of household in a Zimbabwean community increased from $500 to $750 in 2023. In the same year, it was observed that quantity demanded of Soya-chunks decreased from 10 000 kg to 4000 kg.

i. Calculate the income elasticity of demand for Soya-chunks. (Show workings) **(4 Marks)**

ii. Comment on your answer in (i) above. **(2 Marks)**

iii. As a business manager in the Soya-chunks manufacturing firm, what recommendations would you give to your firm in light of these elasticity results? **(4 Marks)**

Question 5

5.1. How do firms maximise profit? **(2 Marks)**

5.2. Giving examples, distinguish between the following:

i. Explicit costs and implicit costs **(4 Marks)**

ii. Accounting profit and economic profit **(4 Marks)**

iii. Short run and long run **(4 Marks)**

5.3. Explain what is meant by the law of diminishing returns **(2 Marks)**

5.4. Incurring a loss is not a sufficient condition for a firm to shut down in the short-run. Explain when should a firm shut down in the short-run? **(4 Marks)**

END OF EXAMINATION

GOOD LUCKY!