



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**  
**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**  
**DEPARTMENT OF BUSINESS ADMINISTRATION AND MANAGEMENT**

**EXAMINATION PAPER**

**COURSE CODE** : CEC111  
**COURSE TITLE** : Principles of Economics  
**SPECIAL REQUIREMENTS** : Graph Papers  
Non-programmable calculators  
**DURATION** : 3 Hours  
**LEVEL** : 1.1  
**DATE** :

**29 JUN 2022**

**INSTRUCTIONS TO CANDIDATES:**

1. No cell phones are allowed in the examination venue.
2. Answer any **FOUR (4)** questions.
3. The number of marks for each question or part question is shown in brackets [ ]
4. Begin each question on a new page.

### QUESTION ONE

- Review the main features of the financial system of an economy. [5 marks]
- Explain the importance of the financial system to the efficient working of an economy. [10 marks]
- Provide policy advice to improve Zimbabwe's financial system. [10 marks]

### QUESTION TWO

The Zimbabwean media often reports that, "the country has conducted expansionary fiscal policy; there is need for tightening monetary policy and so on". Being a Business Analyst, explain how your country conducts monetary and fiscal policies. [25 marks]

### QUESTION THREE

In the short run, the relationship between the number of hours worked and the quantity produced can be depicted in the table below:

Table 1

Labor	0	20	40	60	80	100
Total product	0	30	100	170	210	200

- Using Table 1, draw a graph showing the production curve. [5 marks]
- Draw another graph below the production curve illustrating the shapes of average production of labour (APL) and marginal production of labour (MPL). [10 marks]
- Explain why it is important for business managers to understand the law of diminishing marginal returns. [10 marks]

### QUESTION FOUR

- Using a Zimbabwean example(s), explain why a firm in a perfectly competitive market is said to be a 'price taker'. [15 marks]
- Distinguish between the short-run and long-run equilibrium in perfect competition. [10 marks]

### QUESTION FIVE

- Discuss the importance to managers of understanding the mechanics of supply and

demand both in the short and long run.

[15 marks]

- b) Explain using examples of companies in Zimbabwe whose businesses were affected by changes in supply or demand in their respective markets. [10 marks]

~~~~END OF PAPER~~~~