



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**  

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**FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING**  

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**DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES**

**EXAMINATION PAPER**

**COURSE CODE** : CEC 112  
**COURSE TITLE** : PRINCIPLES OF MICROECONOMICS  
**SPECIAL REQUIREMENTS** : Non-programmable calculator  
**DURATION** : 3 Hours  
**LEVEL** : 1.1  
**DATE** : 28 NOV 2022

**INSTRUCTIONS TO CANDIDATES:**

1. No cell phones are allowed in the examination venue.
2. Answer any 4 questions
3. The number of marks for each question or part question is shown in brackets [ ]
4. Begin each answer on a new page.
5. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

**Question 1****[25]**

‘We do not ask consumers what they want. They don’t know. We decide what they will need and will want.’ Akio Morita, founder of the Sony electronics company.

(a) Explain how, according to utility theory, consumers allocate their expenditure between different products as prices change. [12]

(b) Discuss whether markets are dominated more by the producer or by the consumer. [13]

**Question 2****[25]**

The Zimbabwe Economic Structural Adjustment program (ESAP) of 1990 advocated for market liberalisation which means it favours the market economy as opposed to the command economy. What could be the benefits to be realized by Zimbabwe of adopting ESAP? [25]

**Question 3****[25]**

- (a) Explain the relationship between quantity demanded and quantity supplied at equilibrium? [5]
- (b) What is the relationship when there is a shortage? What is the relationship when there is a surplus? [5]
- (c) How can you locate the equilibrium point on a demand and supply graph? [5]
- (d) If the price is above the equilibrium level, would you predict a surplus or a shortage? If the price is below the equilibrium level, would you predict a surplus or a shortage? Why? [5]
- (e) When the price is above the equilibrium, explain how market forces move the market price to equilibrium. Do the same when the price is below the equilibrium. [5]

**Question 4****[25]**

- (a) Explain the firm’s shutdown condition. [6]
- (b) Distinguish between the accountant’s and economist’s profit. [6]

- (c) A firm is operating in a Zimbabwean market with many competitors and is facing an elastic demand. Explain what the firm can do to raise its total revenue in this situation .[5]
- (d) With the aid of diagram(s) distinguish between the Marginal revenue of a price making firm and a price taking firm [8]

**Question 5**

**[25]**

- (a) Explain the concepts of elasticity. [10]
- (b) How useful are the concepts of elasticity to a producer of maize and the government of Zimbabwe [15]

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