



ZIMBABWE

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UNIVERSITY

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FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

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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 :

28 NOV 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

‘Business cycles are experienced by all countries world over’

- a) What is the business cycle? [10]
- b) Explain the policies that may be used by the government at all the phases of the business cycle in order to reduce its negative effects in the economy [15]

### QUESTION TWO

As part of the measurement of GDP governments calculate the level of investment expenditure.

- a) What determines the level of investment and how do changes in investment expenditure affect GDP? [10]
- b) Assess the difficulties of using GDP as an economic indicator. [15]

### QUESTION THREE

Costs information Dendairry pvt ltd per level of output are as shown in the table below;

Output Level	Total Fixed Cost	Total Variable Cost	Marginal Cost
0	570	0	
1	570	240	240
2	570	430	190
3	570	670	240
4	570	960	290
5	570	1350	390
6	570	1840	490
7	570	2430	590
8	570	3120	690
9	570	3910	790
10	570	4800	890

11	570	5790	990
12	570	6880	1090

Using the costs information given, you are required to

- a) Calculate and present graphically average total cost, average fixed costs and average variable cost per output level [15]
- b) At what output level will the average worker be most productive? [4]
- c) At what output level will the Marginal Product of Labour be the greatest?[3]
- d) At what output level will the principle of diminishing marginal returns set in?[3]

#### QUESTION FOUR

It is important to achieve economic efficiency in the use of resources. This can only be done if the private sector is increased in size. Government intervention in the economy should, therefore, be minimised.

To what extent do you support this argument? [25]

#### QUESTION FIVE

- a) Explain why there may be different levels of profit within perfect competition and between perfect competition and monopoly. [12]
- b) Discuss whether the average variable cost has any significance in a perfectly competitive market structure in determining (i) the output produced by a firm and (ii) the profit of a firm. [13]

~~~~END OF PAPER~~~~

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