



ZIMBABWE EZEKIEL

GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : CEC 112

COURSE TITLE : Principles of Microeconomics

SPECIAL REQUIREMENTS : **Non programmable calculator**
Graph paper

DURATION : 3 Hours

LEVEL : 1.1

DATE : 12 FEB 2024

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue
2. Use of silent, non-programmable calculators is allowed
3. Answer **ANY FOUR (4) questions**.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []

QUESTION 1

a) Production at Julia's call centre shows the following relationship between the number of workers and the number of phone calls handled (per day).

Quantity of variable input: Labour	Quantity of output	Marginal Return to Additional labour	Fixed Costs (\$)	Variable costs (\$)	Total costs (\$)
0	0	-----			
1	120				
2	200				
3	260				

Required:

- a. i) Calculate the marginal return gained from the addition of each worker, filling in the column in the table. **[3 marks]**
- ii) Suppose Julie has entered a long-term lease for an office space and telephones, and this is her only fixed cost. The lease costs her \$50 (per day). Fill in the Fixed Cost column in the table. **[4 marks]**
- iii). Julia pays each worker she hires \$80 per day, and this is her only variable cost. Fill in the Variable Cost column in the table. **[4 marks]**
- iv) Fill in the column for the Total Cost corresponding to each level of production. **[4 marks]**
- b) Clearly distinguish between average cost and variable costs. **[5 marks]**
- c) Define and explain the differences between short-run and long-run period. **[5 marks]**

QUESTION 2

- a) A demand curve is a graph that shows the relationship between the price of a good or service and the quantity demanded within a specified time frame. Explain the key properties of a demand curve. Highlight conditions in which the key properties of the demand curve may not hold. **[13 marks]**

b) Explain any four factors that determine supply of a good [12 marks]

QUESTION 3

a) Distinguish between ordinal and cardinal utility [3 marks]

b) Define and discuss the following terms using diagrams:

i) Indifference curve [4 marks]

ii) Indifference maps [4 marks]

iii) Budget line [4 marks]

c) Discuss with aid of diagrams the consumer equilibrium under indifference curve analysis.

[10 marks]

QUESTION 4

The best way to increase economic welfare is to encourage competition in a market system. Consider whether you agree with this view. [25 marks]

QUESTION 5

a) Discuss the concepts of scarcity and opportunity costs. [5 marks]

b) Compare and contrast a monopoly to monopolistic competition. [8 marks]

c) Discuss with aid of diagrams and examples the types of price discrimination used by a monopoly. [12marks]