



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 : 11 APR 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

Write short notes on the following game theory terms.

- a) Zero sum game. [5 marks]
- b) Dominant strategy. [5 marks]
- c) Nash equilibrium. [5 marks]
- d) Prisoner's dilemma. [5 marks]
- e) Pay offs. [5 marks]

QUESTION 2

- a) State and explain the assumptions of perfect competition. [10 marks]
- b) Explain various barriers to entry to a market and how these barriers might affect market structure. [15 marks]

QUESTION 3

- a) Using diagrams, explain substitution and income effects under consumer theory. [12 marks]
- b) Assume an individual has \$2 to spend on pens and books per week. A pen costs \$0.20 each while books cost \$0.50 each. The individual uses 2 books per week.
 - i) Find the number of pens the individual will buy given the budget and the usage of books per week. [4 marks]
 - ii) If the price of books decreases to \$0.40 whilst the usage of books, the price of pens and the budget remain the same. Find the new number of pens the consumer will buy. [4 marks]
- c) Compare and contrast cardinalist and ordinalist approaches to utility. [5 marks]

QUESTION 4

- a) Using diagrams, show how elasticity influences the incidence of a tax. [10 marks]
- b) The prices and demand for two goods is given in the table below.

Good	Old Price (\$)	Old quantity	New price (\$)	New quantity
Bread	80	500 000	120	300 000
Dovi	40	90 000	40	60 000

Calculate the cross elasticity of demand between bread and dovi. [5 marks]

c) State and explain using examples the factors that affect the supply of bread in Zimbabwe.

[10 marks]

QUESTION 5

a) State and explain the basic economic problem.
marks]

[6

b) Explain the advantages and disadvantages of each economic system. Recommend the best economic system to the government of Zimbabwe.

[13 marks]

c) With aid of examples, distinguish between normative statements and positive statements.

[6 marks]