



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

MODULE CODE : CEC 111
MODULE TITLE : PRINCIPLES OF ECONOMICS
DURATION : 3 Hours
LEVEL : 1.1
DATE : 26 SEP 2024

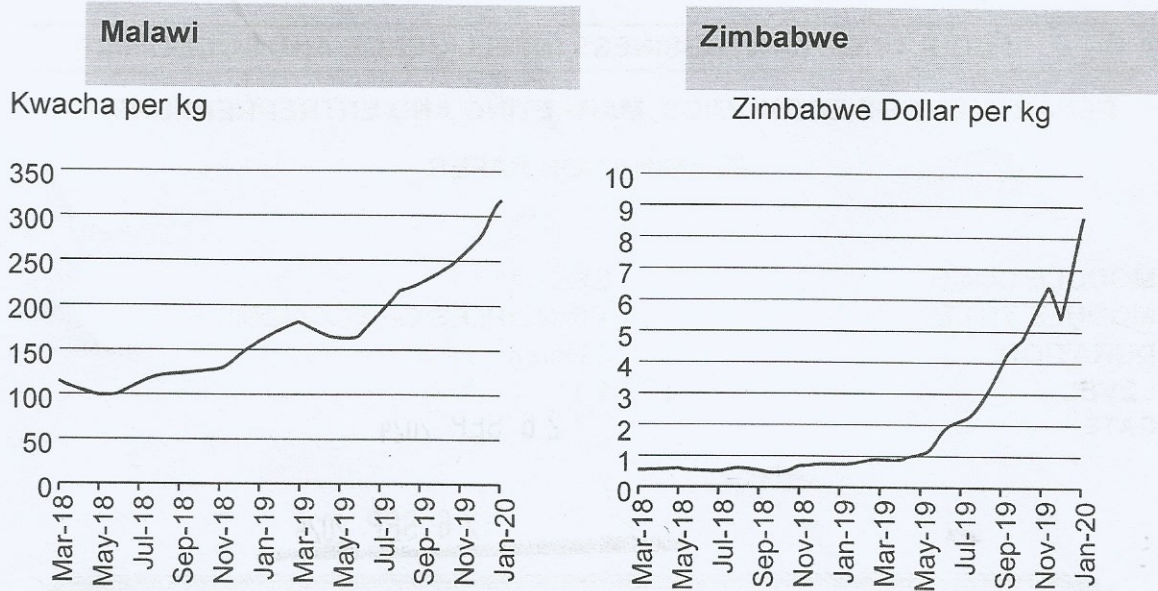
26 SEP 2024

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed
3. Answer question number **one (1)** in Section A (Compulsory) and any other **three (3)** questions in Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []
6. Show all workings, where applicable.

SECTION A

Question 1: Variations in the price of maize



Source: FAO/GIEWS Food Price Monitoring and Analysis Tool.

Fig. 1.1: The price of maize in Malawi and Zimbabwe, March 2018 to January 2020

Table 1.1: Maize production in Malawi and Zimbabwe

	2015–2019 average (000 tonnes)	2019 (000 tonnes)	2020 forecast (000 tonnes)	Change 2019–2020 %
Malawi	2959	3392	3600	6.1
Zimbabwe	1313	1701	777	-54.3

Source: Adapted from Food and Agriculture Organisation of the UN.

Country Briefs: Malawi and Zimbabwe 01/06/20

Extract 1: World export prices of maize fall sharply

Export prices of maize declined further in April 2020, with the United States (US) maize price nearly 10% down from April 2019. It is now at the lowest value in more than ten

years. Large global supplies and good harvest prospects in South America continue to reduce prices. In addition, lower demand for maize from the biofuel and animal feed industries is depressing the price further.

Source: Food and Agriculture Organization of the United Nations 12/05/2020

Extract 2: Zimbabwe takes steps to curb the rise in maize prices

Despite a falling world price for maize, the price of this staple food in Zimbabwe has continued to increase and is now at an exceptionally high level. The increased price mostly results from continued weakness in Zimbabwe's currency that has damaged the country's ability to import maize. In addition, the sharply reduced harvest of maize in Zimbabwe resulted in low domestic supplies. In an effort to tackle the soaring prices, the government has implemented several policies. To increase market supplies, the government removed a ban on imports of certain types of maize. It also increased producer subsidies on maize by 40%. Poorer households should benefit from access to this subsidised maize.

Source: Food and Agriculture Organization of the United Nations 17/02/2020

Extract 3: Malawi raises guaranteed minimum price for maize

Malawi's Ministry of Agriculture has released updated guaranteed prices for cereals produced on Malawi's farms in 2020. These are the minimum prices that farmers will receive for their crops. The guaranteed price for the food staple, maize, was raised by just over 10%. The government has begun purchasing maize at this increased price. This change in the minimum price is expected to increase the production of maize in 2020 and in the future to an average level of 3.7 million tonnes per year.

Source: Food and Agriculture Organization of the United Nations 10/04/2020

(a) Identify **one** possible cause of the decline in world export prices of maize.

[1 mark]

(b) Explain **one** change in a factor of demand that would lead to maize prices rising in Malawi despite the increase in domestic production.

[2 marks]

- (c) With reference to Extract 2 explain **two** reasons why maize prices are rising in Zimbabwe despite the fall in the world export price of maize. **[4 marks]**
- (d) Explain, with the help of a diagram, how a rise in the minimum price of maize in Malawi will encourage production. **[4 marks]**
- (e) Consider, with the help of a diagram, whether a subsidy on maize production will benefit both the producers of maize and poorer households in Zimbabwe equally. **[5 marks]**
- (f) Discuss whether maximum prices on staple foods such as maize are likely to be effective in providing food for poorer households in Zimbabwe. **[10 marks]**

SECTION B

Question 2

The increased use of electric vehicles (EVs) is encouraged as part of governments' climate change policies because they create fewer negative externalities than diesel and petrol (gas) vehicles.

Evaluate, with the help of a diagram(s), **two** policies that a government may use to encourage the use of EVs. **[25 marks]**

Question 3

Evaluate, with the help of a diagram(s) how total market demand and minimum efficient scale may determine the form of market structure in an industry. **[25 marks]**

Question 4

Consider the extent to which the depreciation of its foreign exchange rate contributes to the economic growth of a low-income country. **[25 marks]**

Question 5

Evaluate the effectiveness of using monetary policy to reduce the rate of inflation and how this policy may affect a government's ability to achieve its other macroeconomic aims.

[25 marks]

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