



ZIMBABWE EZEKIEL GUTI UNIVERSITY
COLLEGE FOR LIFELONG LEARNING.

Faculty of Law, Business Intelligence and Economics.

DIPLOMA IN BANKING AND FINANCE

COURSE CODE : DBF 122.
COURSE TITLE : INTRODUCTION TO BUSINESS ECONOMICS
SPECIAL REQUIREMENTS : NONE

DURATION : 2 Hours
LEVEL : 1.1
DATE : 12 FEB 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer all questions in section A and choose any three (3) questions in Section B.
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 THE INVIGILATOR INSTRUCTS YOU.**

SECTION A.

ANSWER ALL QUESTIONS

Each question carries one (1) mark [total 25 marks].

1. The production possibilities curve assumes all of the following except:
 - A full employment
 - B efficiency
 - C money prices
 - D a given technology

2. A country can find itself inside its production possibilities curve for all of the reasons listed below, except one. Which is the exception?
 - A Using resources improperly.
 - B Unemployed resources or using inappropriate technology.
 - C Inefficiency.
 - D A failure to produce enough capital goods.

3. A production possibility curve shows labour-intensive farming output and capital-intensive manufacturing output. What would not cause a shift in this curve?
 - a. a reduction in sales tax on manufactured products
 - b. better training of workers in the manufacturing sector of the economy
 - c. improvements in the productivity of agricultural machinery
 - d. the reclamation of land to be used for both agriculture and manufacturing

4. All of the following will cause the production possibilities curve to move except:
 - a. a change in the money supply
 - b. a change in technology

- c. a change in resources
- d. a change in the capital stock

5. "Demand" refers to:

- a. the quantity that people will want to buy at a particular price.
- b. the price that people are willing to pay to buy a particular quantity.
- c. what people want as opposed to need.
- d. quantities that people are willing to buy at various prices.

6. If the current market price is higher than the equilibrium price:

- a. the equilibrium price will increase.
- b. the current market price will increase.
- c. the amount sold will decrease.
- d. the amount sold will increase.

7. Suppose that a study by a local university found that public transport has an income elasticity of demand of -0.36 . What does this mean about public transport?

- a. It has close substitutes.
- b. It is a necessity.
- c. It is a normal good.
- d. It is an inferior good.

8. A firm progressively reduces the price of its product in an attempt to increase total revenue. The table shows the outcome of this policy.

Price (\$)	Total Revenue 000s (\$)
10	750
9	750

8

750

- a. What is the price elasticity of demand for the product?
- b. perfectly inelastic
 - c. relatively inelastic
 - d. perfectly elastic
 - e. unitary
9. The price elasticity of supply of XXX cement is perfectly elastic. The current selling price for XXX cement is \$10 and 200 bags are sold per day. XXX cement becomes more popular and, as a result, demand increases by 50% at every price. What will be the outcome of the change in demand?
- a. The price increases by 50% and the firm's revenue increases by 50%.
 - b. The price increases by less than 50% and the firm's revenue increases by less than 50%.
 - c. The price stays the same and the firm's revenue increases by 50%.
 - d. The price stays the same and the firm's revenue increases by an infinite amount.
10. If the price of tyres falls and the quantity of tyres sold increases, which statement may have caused this change?
- a. demand for tyres shifts to the right
 - b. demand for tyres shifts to the left
 - c. supply of tyres shifts to the right
 - d. supply of tyres shifts to the left
11. If goods J and K are close substitutes, an increase in the price of J causes:
- a. quantity demanded of J to fall and the demand for K to decrease.
 - b. a decrease in quantity demanded for J and an increase in K.

- c. quantity demanded of J remains constant, but the demand for K decreases.
- d. the demand curve for both J and K shift.

12. When a good is normal, an increase in income causes the:

- a. supply curve of the good to shift to the right.
- b. demand curve of the good to shift to the left.
- c. prices of complementary goods to fall.
- d. demand curve of the good to shift to the right.

13. Marginal utility refers to all of the following except:

- a. utility which is insignificant.
- b. utility measured at the margin.
- c. the utility of the last unit.
- d. the change in total utility from consuming one more unit.

14. According to the law of diminishing marginal utility, the additional level of satisfaction that you get from consuming bananas decreases:

- a. as the price of bananas falls.
- b. with every additional unit consumed
- c. with dissatisfaction
- d. none of the above

15. Which of the following will not cause the supply curve to shift to the left?

- A An increase in wages.
- B An increase in the price of a productively related product.
- C An increase in business taxes.
- D A technological improvement.

16. The "law of supply" refers to:

- A a government regulation.
- B the fact that people will want to buy larger quantities when prices are lower.

- C the increase in supply as price increases.
- D the increase in the quantity supplied as price increases.

17. All of the following are necessary to practise price discrimination, except:

- A people of different ages.
- B people with different demand elasticities.
- C being able to identify people with different demands.
- D being able to stop reselling.

18. Normal profits are:

- A the same as accounting profits.
- B accounting profits minus depreciation.
- C accounting profits plus depreciation.
- D necessary to keep firms in a business.

19. If marginal product is falling then:

- A total product is also falling.
- B average product is also falling.
- C average cost must be constant.
- D none of the above.

20. The law of diminishing returns implies that at some point:

- A total product must decrease.
- B marginal product must decrease.
- C the decreases in total product get smaller and smaller.
- D the increases in marginal product get smaller and smaller.

21. Which of the following will not cause the total product curve to shift up?

- A An increase in productivity.
- B An increase in the amount of the fixed factor used.
- C An increase in the amount of the variable factor used.
- D A technological improvement.

22. Marginal product refers to:

- A a good which is marginally better than another
- B the change in output from adding one more unit of the variable input
- C the last unit produced
- D the level of output which lets a firm just break even

23. Marginal cost:

- A is the cost of hiring the last unit of labour
- B is another word for average cost
- C is rising when marginal product is rising
- D is the cost of the last unit produced

24. When the marginal cost curve intersects the average total cost curve:

- A average total cost is at a minimum
- B average variable cost must be rising
- C average product must be at a maximum
- D both a and b.

25. Profits are maximized at the output at which marginal cost equals marginal revenue.

If the market price falls below the minimum average variable cost:

- A the firm should shut down.
- B the firm should produce more.
- C the firm should produce less.
- D None of the above.

SECTION B

Answer any 3 questions

Each carries 25 marks [Total 75 Marks].

Question 1

Explain the following concepts:

- a) i) Demand function (3 marks)
- ii) Elasticity of demand (3 marks)
- iii) Income elasticity of demand (3 marks)
- iv) Cross elasticity of demand (4 marks)

- b) i) Short run production function/ Law of variable proportions (3 marks)
- ii) Long run production function/ Laws of returns to scale (3 marks)
- iii) Economies of scale (3 marks)
- iv) Diseconomies of scale (3 marks)

[Total 25 marks]

Question 2

- (a) Discuss the relationship between Total Revenue, Average Revenue and Marginal Revenue under perfect competition. (8 marks)
- (b) Discuss the relationship between Total Revenue, Average Revenue and Marginal Revenue under monopoly. (8marks)
- (c) Explain the concept of Opportunity cost. (4 marks)
- (d) Fixed cost and Variable cost (5 marks)

[Total 25 marks]

Question 3

- (a) Distinguish using relevant examples, perfect competition and monopoly. (10 marks)
- (b) i) Explain the following concepts giving examples: (i) Price discrimination (5 marks)
- (ii) Public goods (5 marks)

(iii) Micro economics

(5 marks)

[Total 25 marks]

Question 4

(a) Distinguish between micro economics and macroeconomics

(8 marks)

(b) Explain the concept of Ceteris Paribus assumption

(5 marks)

(c) Examine the various causes of inflation in Zimbabwe

(12 marks)

[Total 25 marks]

Question 5

(a) Discuss the various measures to control inflation.

(10 marks)

(b) Distinguish between increasing returns and decreasing returns to scale.

(5 marks)

(c) Explain the necessary and sufficient conditions for Consumer's equilibrium. (10 marks)

[Total 25 marks]

END OF EXAMINATION PAPER