ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

ACCOUNTANCY AND BUSINESS STUDIES

SUBJECT: Principles of Economics　　　　PAPER NO: 500/S02

Duration: 3 Hours

MARCH / APRIL 2014 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer any five questions.
2. All questions carry equal marks.

This paper consists of 3 printed pages.

PAPER NO: 500/S02 – PRINCIPLES OF ECONOMICS

QUESTION 1

What
When
How

Illustrate and explain

a) the law of diminishing returns (10 marks)

b) returns to scale (10 marks)

QUESTION 2

Countries face the same economic problem, but try to solve it differently. Discuss this statement in light of economic systems.

(20 marks)

QUESTION 3

Assume that firms in the short-run are earning above normal profits. Explain with the aid of diagrams what will happen to these profits in the long-run for the following markets

a) pure monopoly (5 marks)

b) oligopoly (5 marks)

c) monopolistic competition (5 marks)

d) perfect competition (5 marks)

QUESTION 4

Are monopolies necessarily bad? Justify your answer, giving examples.

(20 marks)

QUESTION 5

Discuss some practical difficulties in measuring National Income in developing countries like Zimbabwe. Outline the main uses of National Income accounts.

(20 marks)

QUESTION 6

Explain the phrase "A fall in the value of money". (5 marks)

Discuss the main effects of this in an economy. (15 marks)

(1) Substandard | [illegible]
(2) High prices for less value
(3) efficiency is less
(4) under utilisation of resources
(5) There is supernormal profits

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QUESTION 7

a) Distinguish between a change in quantity supplied and a change in supply. Use diagrams. (10 marks)

b) Discuss the effects of imposing a minimum wage, with the aid of a diagram. (10 marks)

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