



**ZIMBABWE SCHOOL EXAMINATIONS COUNCIL**  
General Certificate of Education Advanced Level

**ECONOMICS**

**9158/1**

PAPER 1 Multiple Choice

**NOVEMBER 2013 SESSION**

1 hour 30 minutes

Additional materials;  
Multiple Choice answer sheet  
Soft eraser  
Soft pencil (type B or HB is recommended)

**TIME** 1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

**Do not open this booklet until you are told to do so.**

Write your name, Centre number and candidate number on the answer sheet in the spaces provided, unless this has already been done for you.

There are **forty** questions in this paper. Answer **all** questions. For each question there are four possible answers, **A, B, C** and **D**. Choose the **one** you consider correct and record your choice in **soft pencil** on the separate answer sheet.

**Read very carefully the instructions on the answer sheet.**

**INFORMATION FOR CANDIDATES**

Each correct answer will score **one** mark. A mark will **not** be deducted for a wrong answer.

Any rough working should be done in this booklet.

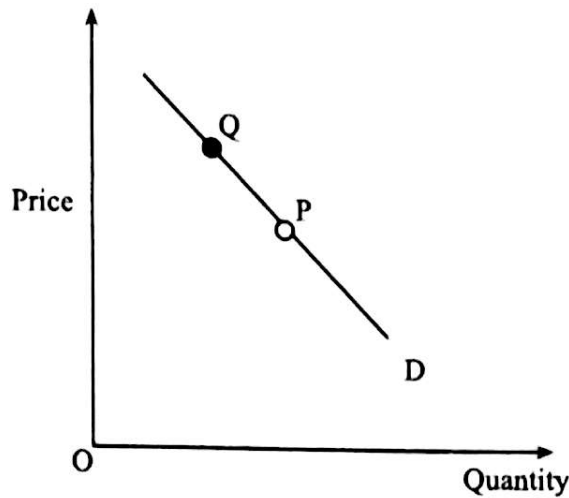
---

**This question paper consists of 13 printed pages and 3 blank pages.**

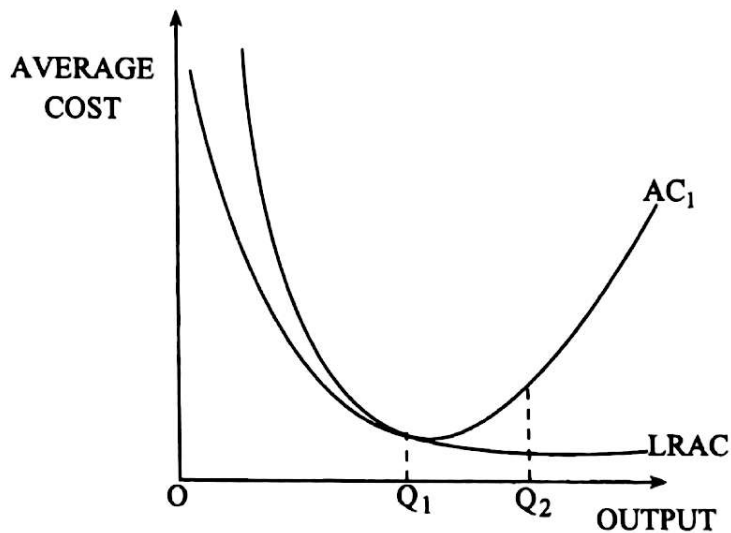
Copyright: Zimbabwe School Examinations Council, N2013.

- 1 Opportunity cost means
- A the price of a good in terms of the price of the other good.
  - B the price of a good in terms of the best alternative forgone.
  - C the price of one good in terms of the other in barter trade.
  - D the time lost in costing goods and services.
- 2 Which of the following is **not** a characteristic of a public good?
- A It is non-rejectable.
  - B It is non-excludable.
  - C It is non-rival in consumption.
  - D It is provided by the private sector.
- 3 Which of the following can be derived from a production possibility frontier?
- A the opportunity cost of producing product A to B
  - B the characteristics of products A and B
  - C the income level of consumers in the economy
  - D the method of production in the economy
- 4 The demand for a factor of production is said to be 'derived'. This means
- A the demand for the factor is price elastic.
  - B the demand for the factor is price inelastic.
  - C the demand for the factor is decreasing.
  - D the factor is not demanded for its sake but for the product to be produced.
- 5 The consumer is said to be in equilibrium when
- A the price of X is at its maximum whilst that of Y is at its minimum.
  - B the relative prices are equal to the marginal rate of substitution.
  - C the price of X is equal to the price of Y.
  - D the quantity demanded of X is equal to that of Y.

- 6 The diagram below shows the demand curve for good A. What would cause a movement along the curve from P to Q?



- A a change in consumer tastes  
 B a decrease in the demand for A  
 C an increase in the production costs for A  
 D a reduction in the price of a substitute
- 7 The diagram below shows a firm's average cost curve ( $AC_1$ ) when it is operating plant size I and LRAC represents its long run average cost.



The reason for LRAC to be lower than  $AC_1$  at output  $OQ_2$  is that

- A the optimum capacity of plant size I is  $OQ_1$ .  
 B LRAC embodies higher fixed costs than  $AC_1$ .  
 C the LRAC embodies greater economies of scale.  
 D the market for the product is greater at  $OQ_2$  than the optimum of plant size I.

- 8 In a given production process, labour and capital are substitutable. What will be the effect on the quantities of labour and capital employed if the government introduces a subsidy on capital investment?

	Quantity of Labour	Quantity of capital
A	decrease	increase
B	decrease	uncertain
C	increase	increase
D	uncertain	increase.

- 9 A firm's average variable costs are \$30,00 at an output level of 20 000 units. Its total fixed costs are \$20 000,00.

For the firm to earn normal profit, which price should it charge per unit?

- A \$1,00
- B \$3,00
- C \$30,00
- D \$31,00

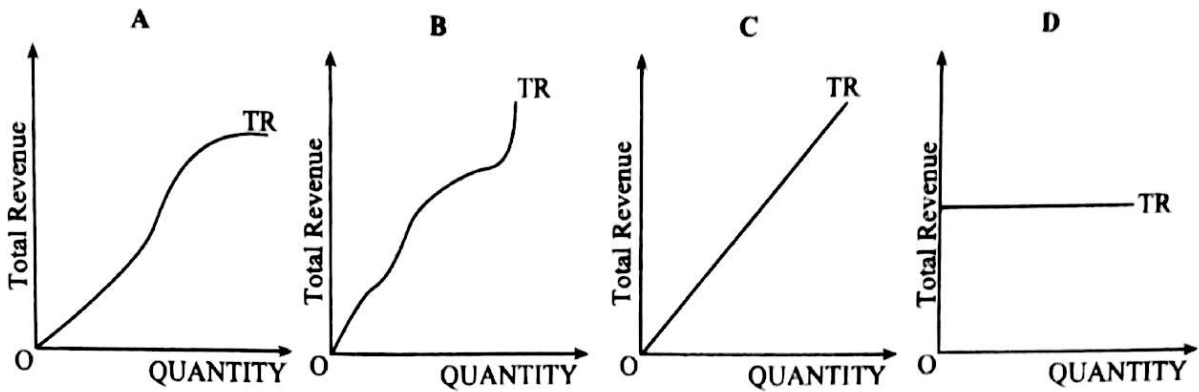
- 10 When a firm increases all its inputs threefold its output increases twofold. What does this illustrate?

- A increasing returns to scale
- B decreasing returns to scale
- C the law of diminishing costs
- D economies of scale

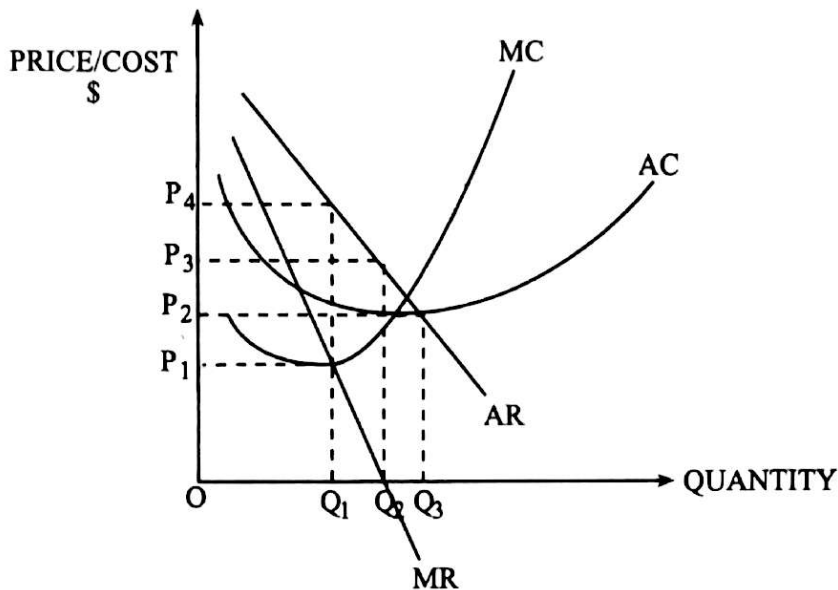
- 11 Perfect competition differs from monopolistic competition in that

- A there are few firms.
- B products are homogeneous.
- C there are barriers to entry of new firms.
- D firms earn abnormal profits in the long run equilibrium.

- 12 The diagrams below show total revenue curves for four different firms (A, B, C and D). Which firm is producing under conditions of perfect competition?



- 13 The diagram below shows a firm changing from profit maximisation to sales maximisation.



What are the price and output combinations before and after the change?

- |   | Before change   | After change    |
|---|-----------------|-----------------|
| A | $P_1$ and $Q_1$ | $P_2$ and $Q_3$ |
| B | $P_4$ and $Q_1$ | $P_3$ and $Q_2$ |
| C | $P_2$ and $Q_3$ | $P_1$ and $Q_1$ |
| D | $P_3$ and $Q_2$ | $P_2$ and $Q_3$ |

- 14 If a monopolist sets a price equal to its average cost, what would happen?

- A It would break-even.
- B It would make a loss.
- C It would maximise revenue.
- D It would maximise profits.

- 15 Good A and Good B are substitutes. What will be the effect on the equilibrium price and quantity of Good A of an increase in the supply of Good B?

	<b>Price</b>	<b>Quantity Demanded</b>
<b>A</b>	decrease	decrease ~
<b>B</b>	increase	increase
<b>C</b>	increase	decrease ~
<b>D</b>	decrease	increase

- 16 In which period is elasticity of supply equal to zero?

- A** the short run
- B** the mometary period
- C** the long run
- D** the very long run

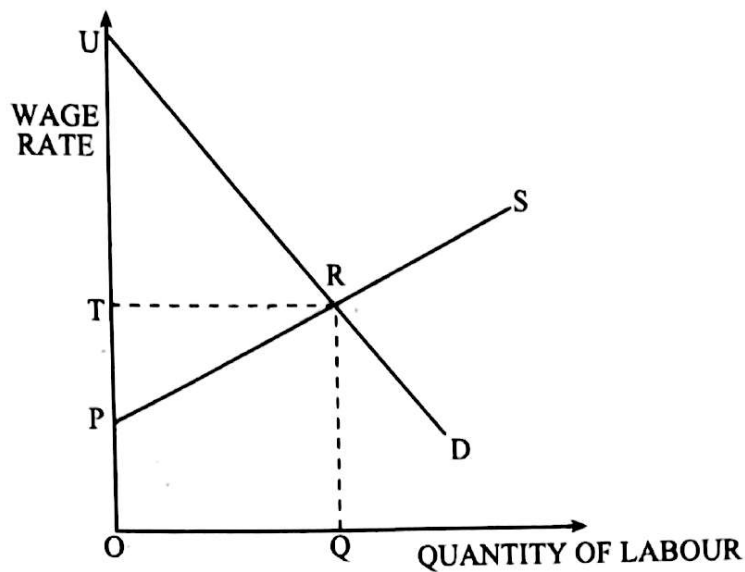
- 17 The table below shows a student's demand schedule for freezits.

<b>Price (cents)</b>	100	70	50	20
<b>Freezit</b>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>

If the freezit market price is 20 cents, what is his consumer surplus if he buys 2 freezits?

- A** 20 cents
- B** 40 cents
- C** 130 cents
- D** 170 cents

- 18 The diagram below shows the demand and supply conditions of a particular labour market.



In equilibrium the amount of economic rent and transfer earnings received by the employees are

- A areas OTRQ and TUR respectively.  
 B areas PTR and URT respectively.  
 C areas PTR and PRQO respectively.  
 D areas PUR and PRQO respectively.
- 19 The evenness of income distribution in an economy can be deduced from the
- A Lorenz curve.  
 B indifference curve.  
 C production possibility frontier.  
 D Phillips curve. –
- 20 A subsidy is totally beneficial to consumers when demand is
- A relatively elastic.  
 B perfectly elastic.  
 C perfectly inelastic.  
 D unitarily elastic.

- 21 The following data is taken from a country's national income accounts.

	<b>\$m</b>
Total domestic expenditure at market prices	200
Exports	48
Imports	52
Indirect taxes	40
Net Property Income from abroad	+2
Depreciation (capital consumption)	20

The value of net national product is

- A \$142 m.  
 B \$178 m.  
 C \$182 m.  
 D \$222 m.
- 22 How would the government deal with the twin evils of hyperinflation and unemployment?

**Hyperinflation**

**Unemployment**

- |   |                         |                            |
|---|-------------------------|----------------------------|
| A | tighten import controls | lower interest rates       |
| B | revalue currency        | cut government expenditure |
| C | control prices          | subsidise industries       |
| D | ration foreign currency | cut government expenditure |

- 23 Zimbabwean firms sell more minerals to the United States of America and buy more banking services from the United Kingdom. How would the Zimbabweans' balance of payments be affected?

**Visible Balance**

**Invisible Balance**

- |   |          |          |
|---|----------|----------|
| A | improves | improves |
| B | improves | worsens  |
| C | worsens  | worsens  |
| D | worsens  | improves |

- 24 What is meant by an appreciation of a currency?

- A a fall in value caused by government intervention  
 B a fall in value caused by market forces  
 C a rise in value caused by market forces  
 D a rise in value caused by government intervention

- 25 What effect would a rise in a country's exchange rate have on its export and import prices?

**Export prices**

**Import prices**

- |   |          |          |
|---|----------|----------|
| A | increase | increase |
| B | increase | decrease |
| C | decrease | decrease |
| D | decrease | increase |



26 Which one of the following would cause the value of the multiplier to be reduced?

- A an increase in consumption
- B an increase in government expenditure
- C an increase in the volume of exports
- D an increase in the rate of taxation

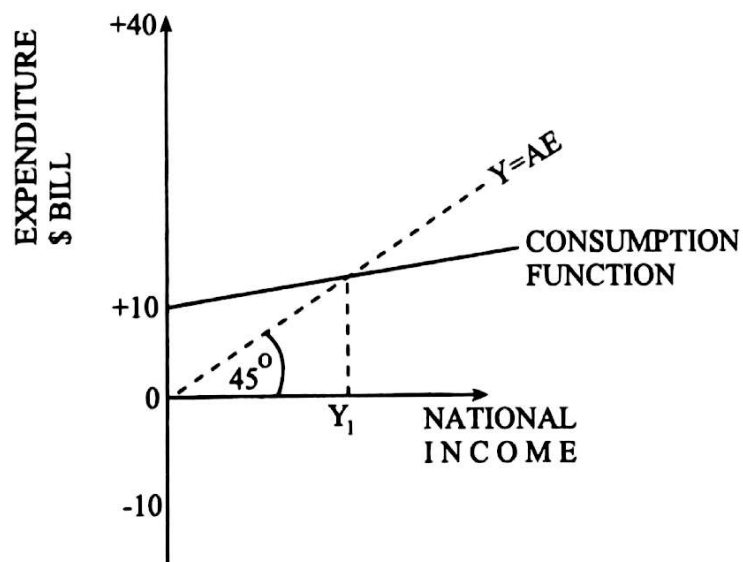
27 The following data represent a consumption function for a closed economy with no government.

Income (\$m)	Consumption (\$m)
120	116
140	132
160	148
180	164
200	180
220	196

What is the value of the multiplier when income is \$200?

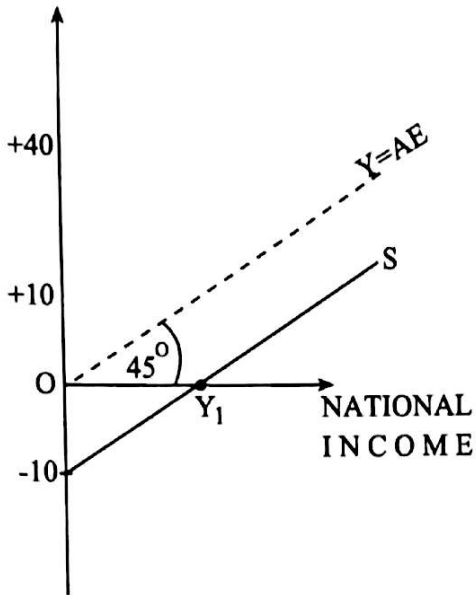
- A 0,2
- B 0,8
- C 5,0
- D 10,0

28 The diagram below represents a consumption function for a closed economy without government.

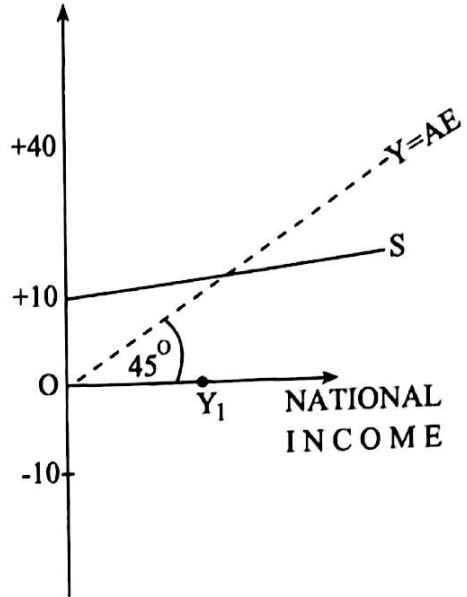


Which of the following diagrams represents the corresponding saving(s) function?

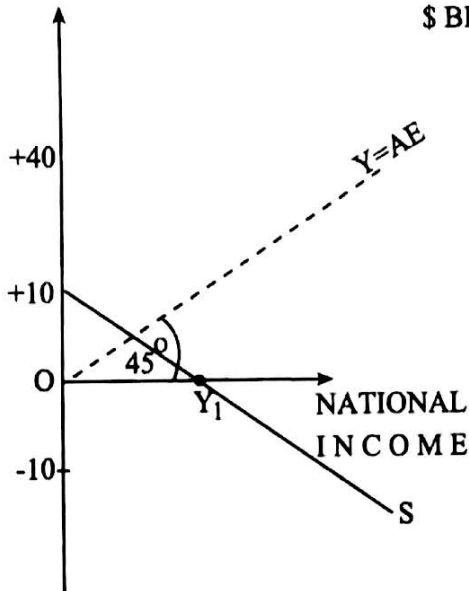
**A**  
EXPENDITURE  
\$ BILL



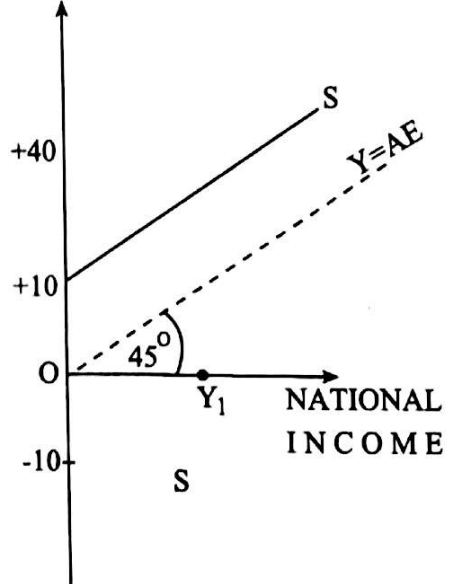
**B**  
EXPENDITURE  
\$ BILL



**C**  
EXPENDITURE  
\$ BILL



**D**  
EXPENDITURE  
\$ BILL



29 A rise in the index of retail prices is evidence of a fall in the

- A cost of living.
- B exchange rate.
- C terms of trade.
- D value of money.

- 30 If consumer expenditure is \$30 billion, government expenditure is \$10 billion, investment is \$20 billion, exports are \$16 billion and imports are \$20 billion, what is the GDP?
- A \$56 billion
  - B \$76 billion
  - C \$80 billion
  - D \$96 billion
- 31 The speculative demand for money is directly influenced by
- A the value of current transactions.
  - B the marginal propensity to consume.
  - C the marginal efficiency of capital.
  - D the expected level of interest rates.
- 32 Which of the following would cause cost-push inflation?
- A a higher level of consumption
  - B an increase in trade unionism
  - C an increase in labour productivity
  - D an appreciation of the exchange rate
- 33 Zimbabwe's steel industry is closed down as buyers switch their purchases of steel to another country. What type of unemployment will result from this?
- A cyclical
  - B frictional
  - C seasonal
  - D structural
- 34 If government would want to reduce the non-accelerating inflation rate of unemployment (NAIRU), which measure would be **inappropriate**?
- A a reduction in interest rates
  - B an increase in rates of unemployment benefits
  - C the abolition of state-imposed minimum wage rates
  - D the introduction of travel allowances for unemployed workers to search for jobs

- 35 The following table shows the breakdown of a government's tax revenue.

	\$m
Income tax	80
Corporation tax	40
Customs duties	20
Value added tax	70
Inheritance tax	10

What is the total amount of revenue received from indirect taxes?

- A \$220 m  
 B \$130 m  
 C \$90 m  
 D \$30 m
- 36 The following bundle of goods and their weights are considered in calculating the cost of living.

Good	Weight	Current price
Medication	3	$x$
Education	5	120
Entertainment	2	105

If the current value of the retail price index is 114, what is the current price for medication,  $x$ ?

- A 100  
 B 110  
 C 115  
 D 120
- 37 In international trade, comparative advantage refers to the ability of the country to produce
- A all goods at lower cost measured in terms of labour input than its trading partners.  
 B all goods at lower costs measured in money terms than its trading partners.  
 C a good at a lower opportunity cost than its trading partners.  
 D some goods which are demanded internationally.
- 38 From the table below, which country is likely to be the least developed?

Country	Population (millions)	Real GDP (\$m)	Life Expectance (Years)
A	100	600	58
B	200	2 000	70
C	300	2 100	58
D	400	3 600	70

- 39 Why do developing countries on average, have a low savings ratio?
- A Citizens have a range of saving institutions to choose from.
  - B Governments do not promote saving.
  - C Average income per head is low.
  - D Interest rates tend to be high.
- 40 Economic development is different from economic growth mainly because it
- A is an increase in the GDP.
  - B implies an improvement in social welfare.
  - C is an improvement in the terms of trade.
  - D is an outward shift of the production possibility frontier.