



ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Advanced Level

ECONOMICS
PAPER 1 Multiple Choice

6073/1

JUNE 2019 SESSION

1 hour 30 minutes

Additional materials:
Multiple choice answer sheet
Soft clean 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 provided.

Read very carefully the instructions on the answer sheet.

Calculators may be used.

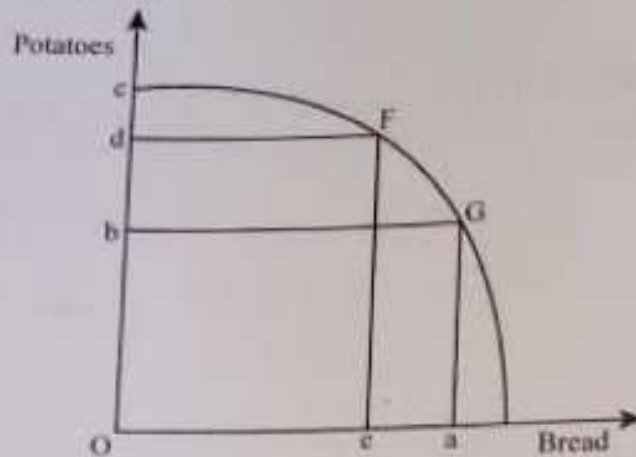
INFORMATION FOR CANDIDATES

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.

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- 1 The diagram below shows the Production Possibility Curve (PPC) of a country X.



With reference to the PPC above

- A the opportunity cost of producing Oa bread is Ob potatoes.
 B the opportunity cost of producing Oa bread is bc potatoes.
 C the opportunity cost of producing a loaf of bread is higher at F than at G.
 D the opportunity cost of producing one more pocket of potatoes is higher at G than at F.
- 2 The "How to produce" question in Economics refers to the way in which
- A scarce resources are allocated among competing needs.
 B the state sets output targets in a command economy.
 C factors of production may be combined to produce output.
 D a firm decides on its profit maximizing rate of output.
- 3 What does consumer surplus indicate?
- A that more will be demanded at lower prices than higher prices
 B that consumers get more value from a good than is represented by the price
 C that the allocation of resources is decided by the interaction of buyers and sellers
 D that it is impossible to increase consumer well-being by changing the way in which income is spent.

- 7 When an individual's income rises, *ceteris paribus*, their demand for kapenta, an inferior good,
- A rises.
 - B falls.
 - C remains unchanged.
 - D rises then falls.
- 8 If both demand and supply increase then
- A both price and quantity traded will rise.
 - B price will rise and quantity traded is uncertain.
 - C price change is uncertain and quantity traded will increase.
 - D such simultaneous changes are complex such that it is difficult to tell the result of such movements.
- 9 The following information about a production possibility curve are true **except** that
- A points inside the PPC are inefficient.
 - B all points along the PPC are productively efficient.
 - C all points along the PPC are allocatively efficient.
 - D the PPC is constructed on the assumption that there is fixed supply of resources.
- 10 If more labour is added to a fixed amount of capital, the rate at which output increases begins to decline. This illustrates diminishing marginal
- A cost.
 - B utility.
 - C profit.
 - D productivity.
- 11 The kinked demand curve faced by an oligopolist is based on the assumption that rivals will
- A follow a price increase but not a price decrease.
 - B follow a price decrease but not a price increase.
 - C follow both a price decrease and a price increase.
 - D ignore both a price increase and a price decrease.
- 12 If a firm in a perfectly competitive industry raises its price above the market price
- A its sales will drop to zero.
 - B its sales will fall marginally.
 - C all other firms in the industry will follow suit.
 - D its sales will stay the same.

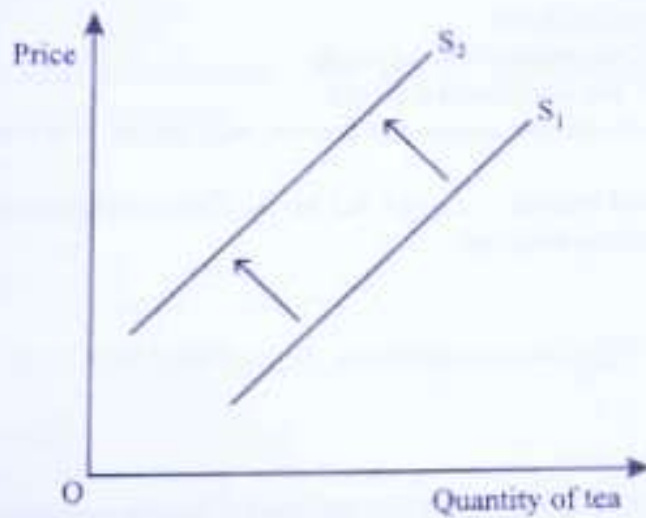
- 17 The table shows information in the population of a country.

Class	Population in millions
Under 15	20
Employed	16
Pensioners	9
Unemployed	4
Physically unable to work	1
Total population	50

Calculate the unemployment rate.

- A 8%
 B 10%
 C 20%
 D 32%
- 18 During an economic recession sales decline leading to some workers losing their jobs. This type of unemployment is referred to as
- A cyclical.
 B frictional.
 C structural.
 D technological.
- 19 Which of the following would be classified as an expansion monetary policy?
- A an increase in special deposits
 B an increase in money supply
 C an increase in interest rates
 D an increase in the exchange rate
- 20 If 2 000 is the base year for real GDP calculation then we know for certain that nominal GDP
- A is equal to real GDP in 2000.
 B is less than real GDP in 2000.
 C is greater than real GDP in 2000.
 D in 1999 was greater than real GDP in 2000.

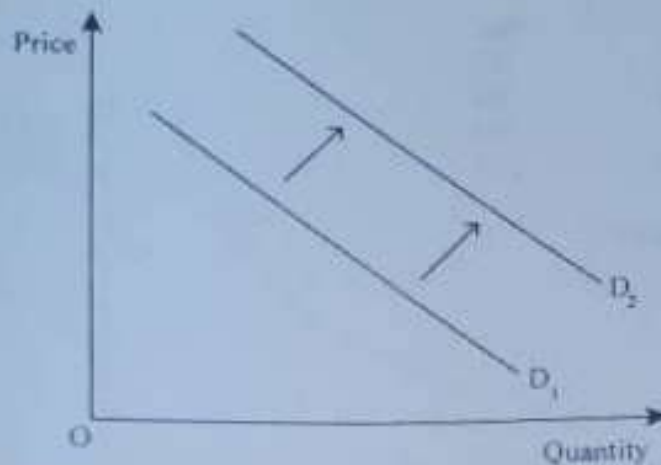
- 4 The short-run period in Economics is described as a time period in which
- A at least one factor of production is available.
 - B all factors of production are fixed.
 - C all factors of production are variable.
 - D at least one factor of production is fixed.
- 5 Which of the following is **not** an example of an externality?
- A throwing empty coke cans into the street
 - B the cost to the owner of an attractive garden
 - C cleaning a rubbish-filled site to build a hospital
 - D aeroplanes taking-off from an airport near a residential area
- 6 The graph below shows the supply curve for tea in an economy.



What could possibly cause the supply curve to shift from S_1 to S_2 ?

- A a positive change in consumer taste for tea
- B a decrease in the cost of producing tea
- C an increase in the cost of producing tea
- D an increase in the price of coffee

- 33 The diagram below shows the demand curves D_1 and D_2 for a product.



The shift of the demand curve from D_1 to D_2 could be as a result of

- A a decrease in the quantity supplied.
 - B an increase in the price of a complement.
 - C a decrease in the consumers' incomes.
 - D an increase in the price of a substitute.
- 34 If each economic agent has an equal chance of being selected into a sample group, then this is
- A quota sampling.
 - B cluster sampling.
 - C simple random sampling.
 - D multi-stage sampling.
- 35 Expenditure switching cures a balance of payments deficit through
- A stimulating the total level of demand in an economy.
 - B subsidizing of the local industries.
 - C imposition of tariffs and quotas.
 - D export promotions to increase demand.

28. Which of the following are components of the Human Development Index (HDI)?

- A. population growth, literacy rate and life expectancy
- B. literacy rate, life expectancy and Gross Domestic Product per head
- C. infant mortality rate, life expectancy and population growth
- D. Gross Domestic Product per head, population growth and life expectancy

29. The following information is given for a closed economy with no government:

$$\begin{aligned} \text{Consumption} &= 200 + 0.8Y \\ \text{Investment} &= 100 - 0.1Y \end{aligned}$$

Calculate the level of savings.

- A. 80
- B. 100
- C. 120
- D. 150

30. Which of the following functions of money enables firms to conduct credit transactions?

- A. unit of account
- B. store of value
- C. means of deferred payments
- D. medium of exchange

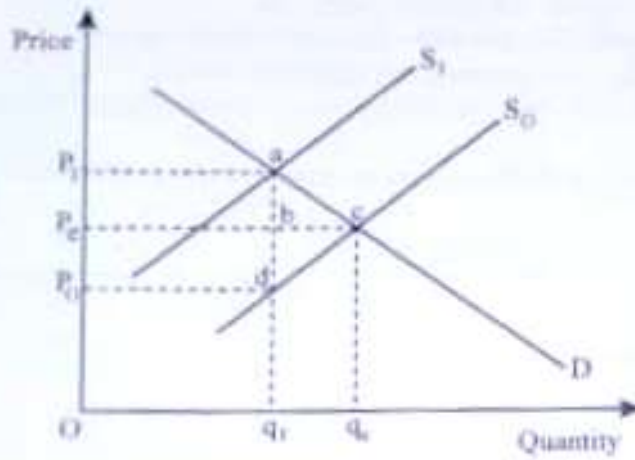
31. In a closed economy with no government, the consumption function is given by:

$$C = 100 + 0.8Y$$

What is the value of the multiplier?

- A. 0.2
- B. 0.8
- C. 1.25
- D. 5

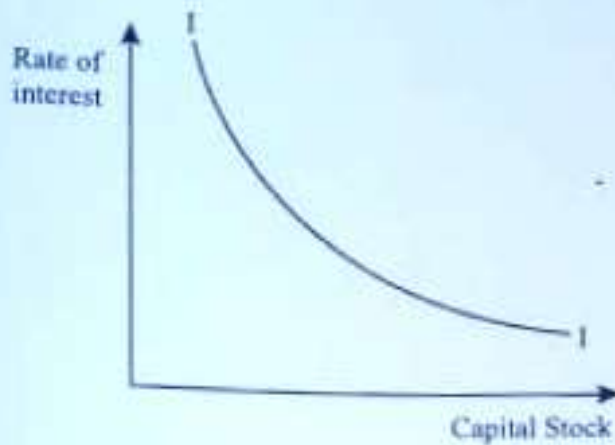
- 12 The diagram below shows the demand and supply curves. S_0 is supply before tax and S_1 is supply after tax.



What is the effect of the imposition of the tax?

- A loss of consumer surplus of an area bed only.
- B loss of producers and consumer surplus of area abc .
- C loss in producer and consumer surplus of area adc .
- D loss in consumer surplus (P_1P_cba) and producer's surplus of bed .

- 38 The curve I below shows the relationship between interest rate and the level of derived stock of capital.



What does curve I represent?

- A the marginal efficiency of capital
 - B the transmission mechanism of capital
 - C the accelerator principle
 - D the liquidity preference
- 39 Students in an Economics class obtained the following marks in their mid-year examination:
47; 49; 55; 56; 52; 52; 70; 66; 61; 53
- Calculate the median mark.
- A 52
 - B 53
 - C 54
 - D 55
- 40 Which of the following is not a method of presenting data?
- A questionnaire
 - B bar graph
 - C pie chart
 - D frequency polygon

- 21 The following statements for the circular flow of income are true **except**
- A there are two sets of markets in an economy being goods market and factor market.
 - B firms are buyers in the factor market and sellers in the goods market.
 - C firms are buyers in the goods market and sellers in the factor market.
 - D firms are the largest purchasers of capital goods.
- 22 A value added tax (VAT) is generally viewed as
- A progressive, because the consumption expenditure of the rich is greater than that of the poor.
 - B regressive, because low income households spend a greater proportion of their income on goods that attract VAT.
 - C proportional, because the VAT rate is constant across goods that attract VAT.
 - D regressive, because the VAT burden increases as households' incomes increase.
- 23 The exchange rate between the Zimbabwe dollar and the Botswana Pula is Z\$1 = P12.
- If a car costs Z\$16 000 then its cost in Pula is
- A P192 000.
 - B P19 200.
 - C P13 333.
 - D P1 333.
- 24 Tariffs benefit domestic producers by
- A increasing government revenue.
 - B reducing the prices of imported goods.
 - C reducing sales of domestically produced goods.
 - D increasing sales of domestically produced goods.
- 25 All of the following are limitations of the Marginal Revenue Productivity (MRP) theory **except**
- A labour is perfectly mobile.
 - B it assumes that more productive workers are paid higher wages.
 - C all factors of production are held constant in supply during production.
 - D it is not possible to calculate the marginal revenue product of workers in the service sector.

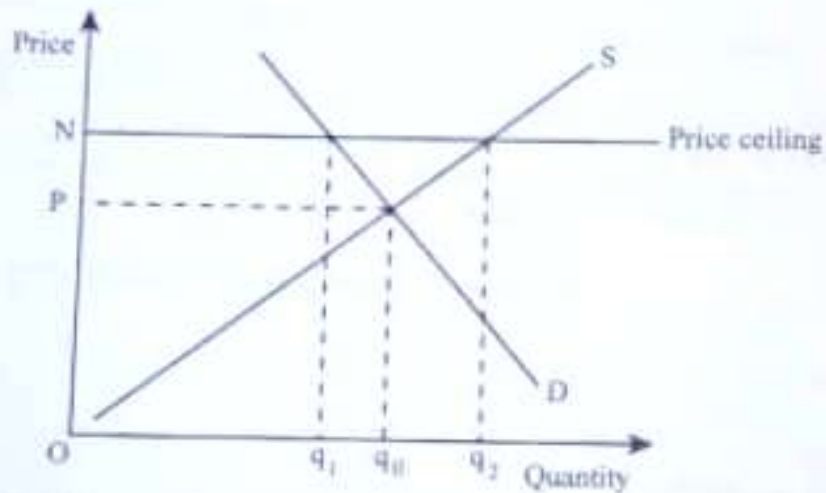
36 An economy has the following current account statistics.

	\$m
Export of goods	350
Export of services	250
Import of goods	400
Import of services	225

Calculate the balance of trade?

- A -\$50
- B -\$25
- C +\$25
- D +\$50

37 The diagram below shows a product market with OP as the equilibrium price.



Government imposes a maximum price above the equilibrium P to price denoted by N . The effect on consumer demand is

- A a fall in quantity demanded from q_0 to q_1 .
- B an increase in quantity demanded from q_1 to q_0 .
- C an increase in demand from q_1 to q_0 .
- D no effect on quantity demanded.

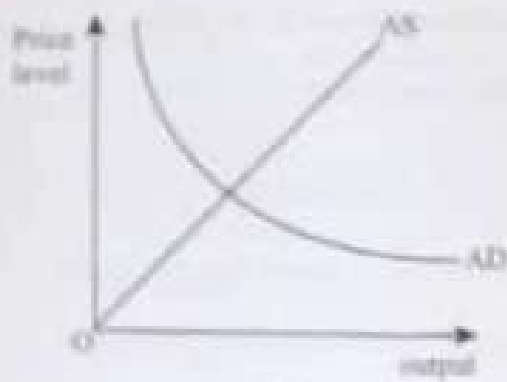
- 13 The table below shows the number of workers and the total output per week.

No of workers	Total output per week (units)
1	100
2	109
3	116
4	120

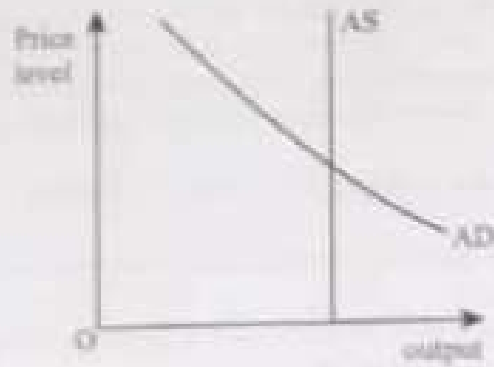
Given that the price per unit of output is \$10.00, what is the marginal revenue product for the third worker?

- A \$40
 B \$70
 C \$90
 D \$116
- 14 The income elasticity of demand for a good is 0.5. If income rises by 30%, what is the percentage change in quantity demanded?
- A a 15% fall
 B a 30% fall
 C a 15% rise
 D a 60% rise
- 15 A situation where both inflation and unemployment are high is known as
- A deflation.
 B depression.
 C recession.
 D stagflation.
- 16 The primary benefit that comes as a result of a nation employing its resources in accordance with the principle of comparative advantage is
- A a larger output resulting from a more efficient use of resources.
 B greater equality of income resulting from an increase in the number of workers.
 C an increase in the profitability of business enterprises resulting from an increase in capital formation.
 D an expansion in capital investment resulting from a reallocation of resources away from consumption.

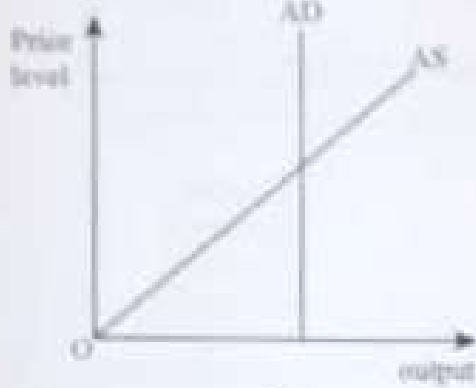
26 The diagrams below show aggregate demand and aggregate supply curves in four countries.



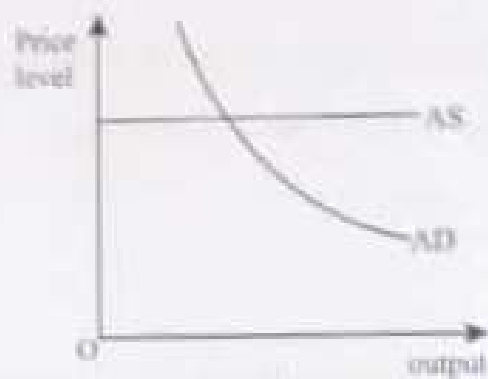
A



B



C



D

In which country will an increase in government expenditure leave the level of national output unchanged?

27 Use the information in the given table to answer the question below.

Income	Income tax paid
\$500	\$30.00
\$826	\$49.56
\$960	\$57.60
\$1 355	\$81.00

The description of the tax system applied is

- A progressive.
- B regressive.
- C proportional.
- D progressive and proportional.

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