



ZIMBABWE SCHOOL EXAMINATIONS COUNCIL
General Certificate of Education Advanced Level

ECONOMICS

6073/1

PAPER 1 Multiple Choice

SPECIMEN PAPER 1 hour 15 minutes

Additional materials:

Multiple choice answer sheet

Soft clean eraser

Soft pencil (type B or HB is recommended)

TIME 1 hour 15 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.

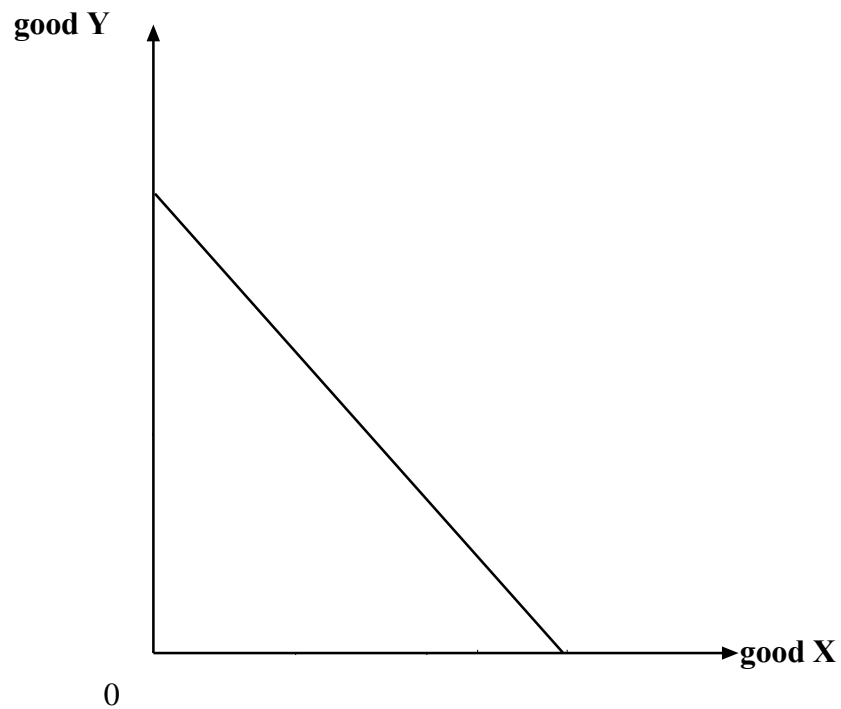
This question paper consists of 18 printed pages and 2 blank pages.

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1 Productive efficiency is achieved when

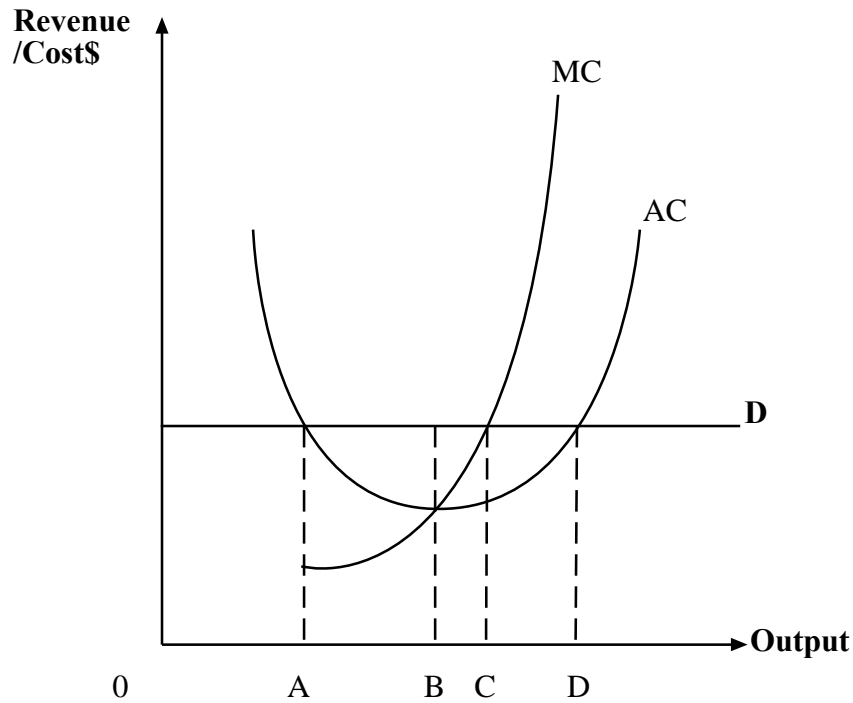
- A** a firm is producing on the lowest point of its average cost curve.
- B** there are no further opportunities of substituting labour for capital.
- C** all factors of production are fully employed.
- D** the firm is maximizing profits.

2 The diagram shows a production possibility curve for country Z producing two goods X and Y. As one moves from left to right along the PPC, What happens to the opportunity cost?



- A** It remains constant.
- B** It is unitary.
- C** It increases.
- D** It falls.

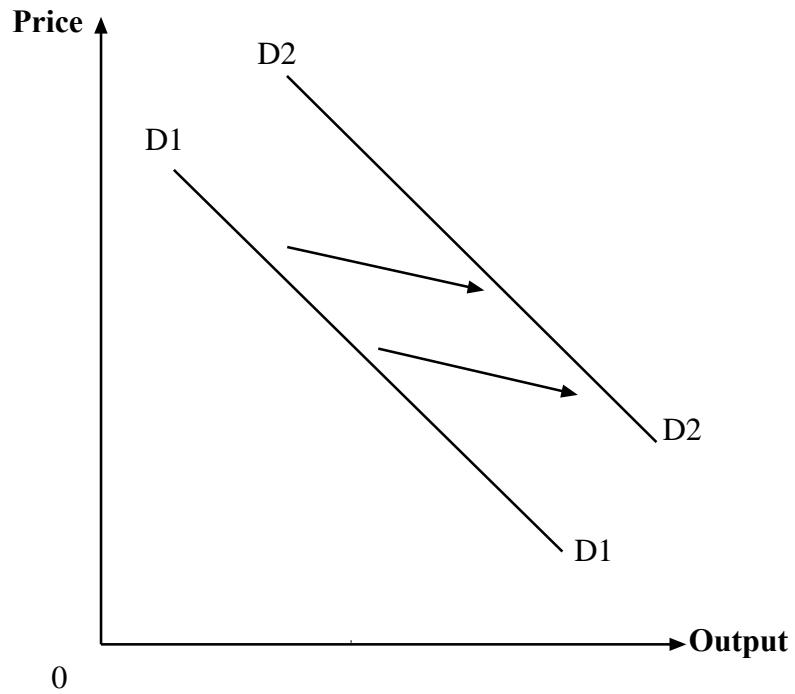
- 3 The graph below shows short run production for a competitive firm.



- At which point **A**, **B**, **C** or **D** does the firm achieve productive efficiency?
- 4 Which of the following is the most suitable source of finance for a firm to acquire machinery?
- A Bank overdraft
 - B Debt factoring
 - C Hire purchase
 - D Trade credit
- 5 Which of the following is an advantage of a public limited company over a private limited company?
- A Easy to set up.
 - B More capital can be raised.
 - C The firm enjoys secrecy.
 - D The firms enjoys economies of scale.

- 6 The key defining role of the entrepreneur is a
- A decision maker.
 - B good manufacturer.
 - C profit maker.
 - D risk bearer.
- 7 If the demand for a good is inelastic an increase in its price causes total expenditure on the good to
- A become zero.
 - B decrease.
 - C increase.
 - D remain constant.
- 8 Effective demand for a commodity refers to the
- A desire to purchase a commodity.
 - B great ability to purchase the commodity.
 - C need for a commodity that one wants to purchase.
 - D willingness to purchase the product backed by ability to pay.
- 9 Income elasticity of demand is given by
- A $\frac{\text{change in quantity demanded}}{\text{change in income}}$.
 - B $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$.
 - C $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}} \times 100$.
 - D $\frac{\% \text{ change in income}}{\% \text{ change in quantity demanded}} \times 100$.

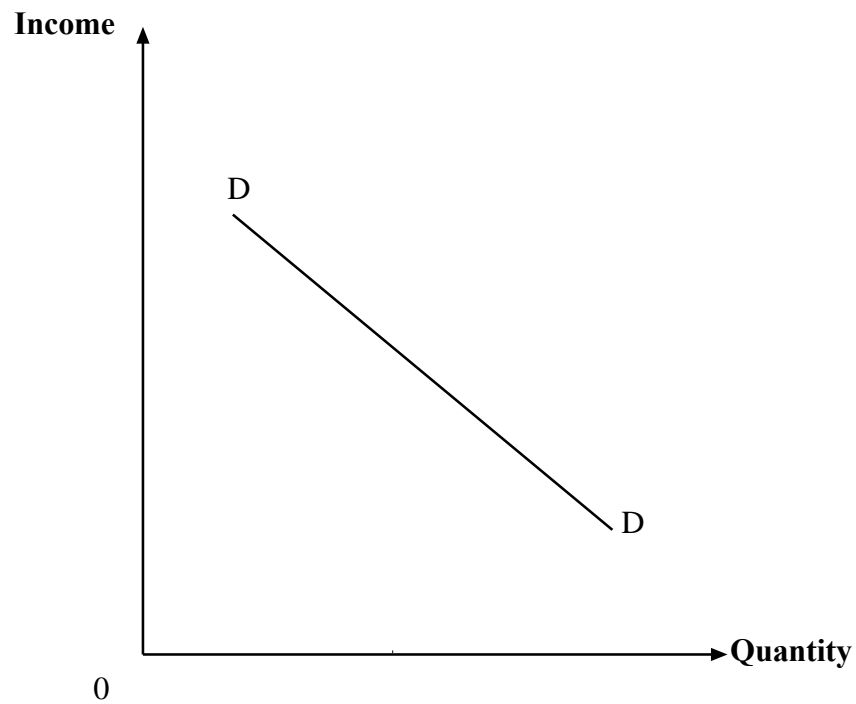
- 10 The diagram below shows the demand curves for a product.



A shift of the demand curve D_1D_1 to D_2D_2 could be caused by

- A a decrease in quantity supplied.
- B an increase in the price of a compliment.
- C a decrease in consumers incomes.
- D an increase in the price of a substitute.

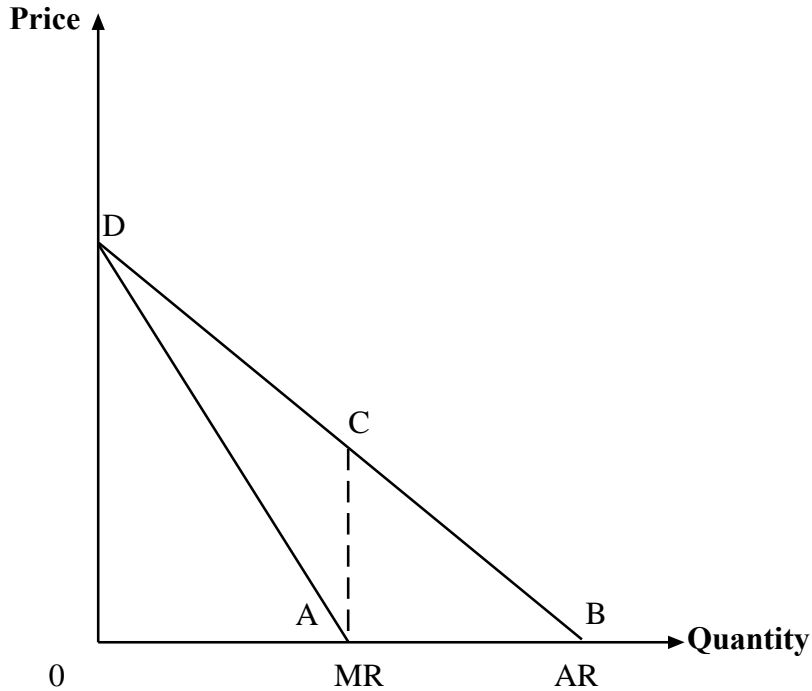
- 11 The diagram below shows the demand curve for commodity X.



Which of the following statements is correct? X is

- A a normal good.
- B an inferior good.
- C a substitute.
- D a complimentary good.

- 12 Where on the graph below is price elasticity of demand greater than one?



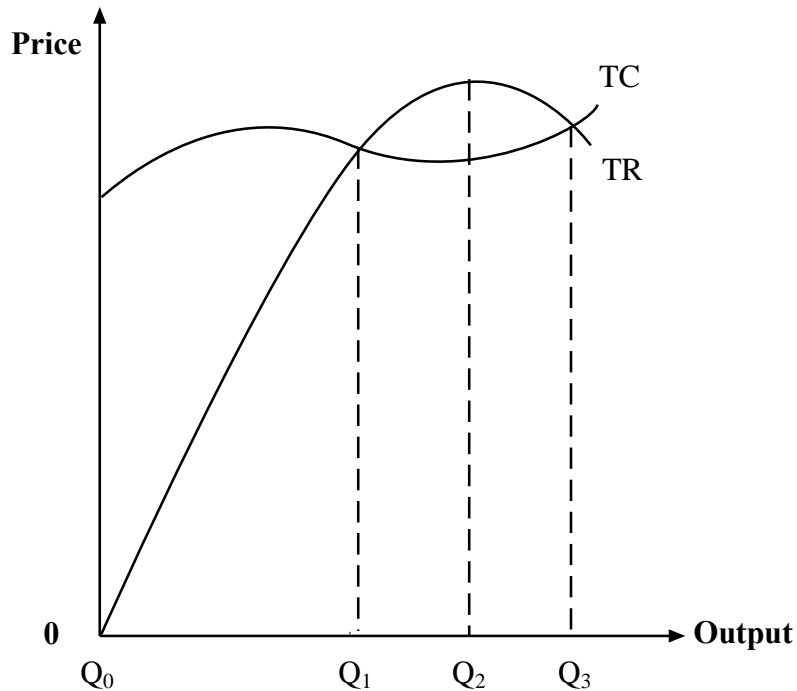
- A AB
 B AD
 C BC
 D DC
- 13 If firms in an oligopolistic industry agree to form a cartel, what are the likely effects on price and output produced?

	EFFECT ON PRICE	EFFECT ON OUTPUT
A	falls	falls
B	falls	increases
C	increases	falls
D	increases	increases

- 14 In a contestable market

- A bigger firms have preferential treatment from government.
 B abnormal profits are earned in both the short run and long run.
 C there is threat of potential entry by new firms.
 D there is a limited number of firms.

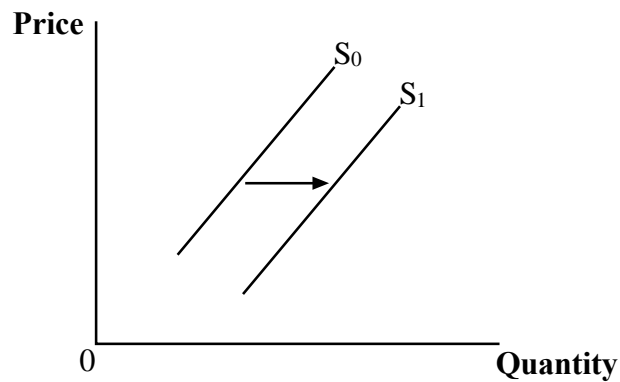
- 15 The diagram below shows the TR and TC curves for a firm.



At which level of output is the loss equal to the fixed costs?

- A Q_3
 B Q_2
 C Q_1
 D Q_0
- 16 Why is plastic money **not** included in M_1 definition even though consumers use it in carrying out transactions?
- A It is not money but just electronic devices linking where money is kept and where it is to be spent.
 B It is not issued by monetary authorities and some retailers issue it.
 C It is not an asset, but is just a means of accessing money to settle debts.
 D It is not acceptably transferrable as money is.
- 17 According to monetarist theory what is the short-run effect of an unexpected increase in the money supply?
- A An increase in the rate of interest.
 B An appreciation of the foreign exchange rate.
 C An increase in real wages
 D An increase in employment.

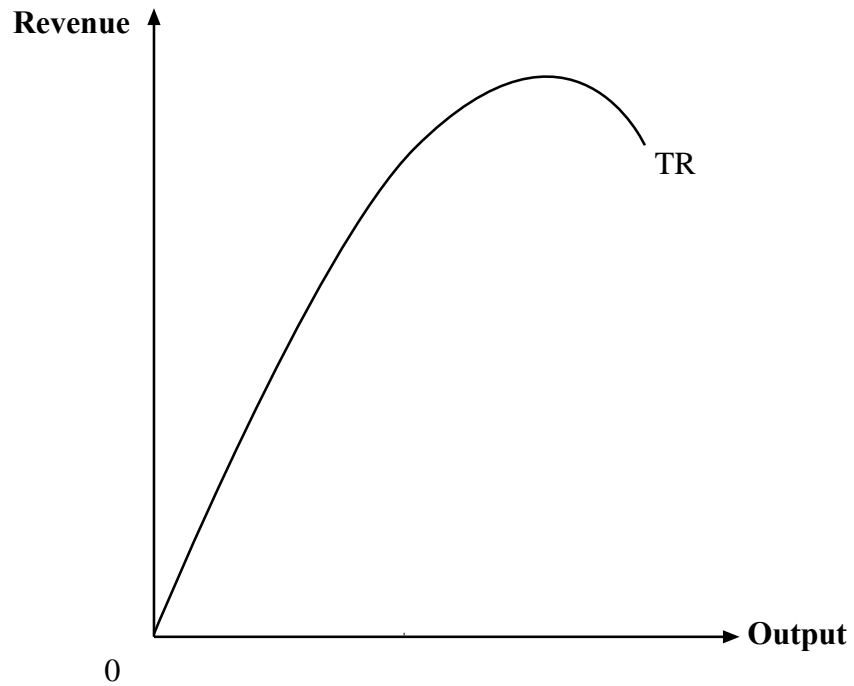
- 18 The cash ratio of the banking system is 12.5%. Given a deposit of \$25 000 the amount of money created in the economy is
- A 2 000.
 - B 3 125.
 - C 200 000.
 - D 312 500.
- 19 Demand-pull inflation is caused by
- A an increase in indirect taxes.
 - B an increase in interest rates.
 - C a reduction in direct taxes.
 - D a reduction in the money supply.
- 20 The graph below shows the supply curves of wheat.



What causes a shift of the supply curve from S_0 to S_1 ?

- A A rise in price of wheat.
- B A rise in price of barley.
- C A rise in income of farmers.
- D A subsidy given to wheat farmers.

- 21 The diagram below shows the total revenue curve of a firm.



When (TR) Total Revenue is at its maximum then

- A marginal revenue is zero.
- B marginal revenue is equal to marginal cost.
- C average revenue is equal to average cost.
- D marginal revenue is equal to average revenue.

- 22 The table below shows a firm's total and marginal cost and output

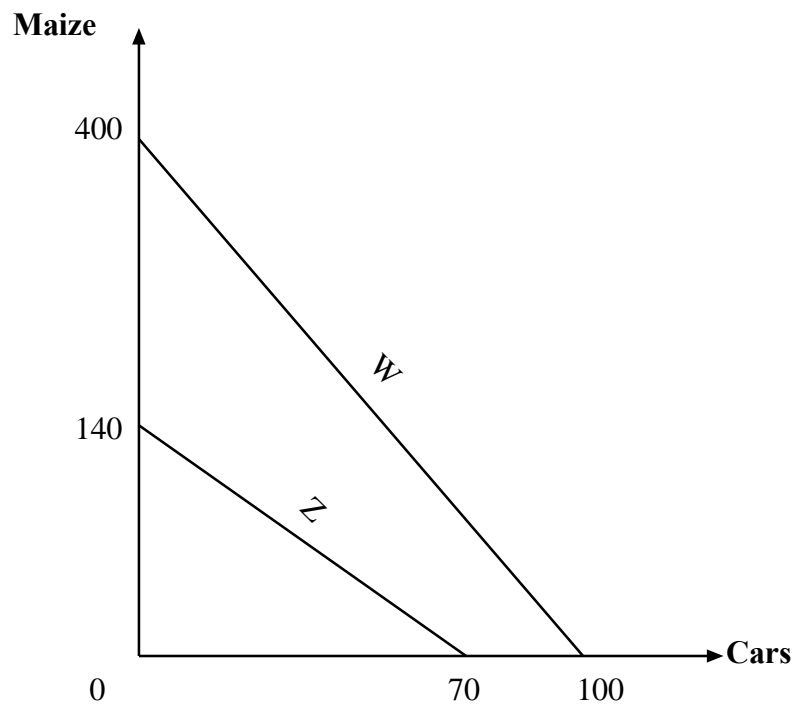
OUTPUT	TOTAL COST \$	MARGINAL COST \$
1	300	20
2	315	15
3	325	10
4	340	15
5	360	20
6	385	25

What is the average fixed cost of producing 4 units?

- A 22.67
 B 70
 C 85
 D 325
- 23 Which combination of changes in import prices and export prices result in a fall in the value of a country's terms of trade?

	AVERAGE IMPORT PRICES	AVERAGE EXPORT PRICES
A	decrease by 50%	decrease by 10%
B	decrease by 10%	decrease by 5%
C	decrease by 10%	increase by 5%
D	increase by 5%	increase by 10%

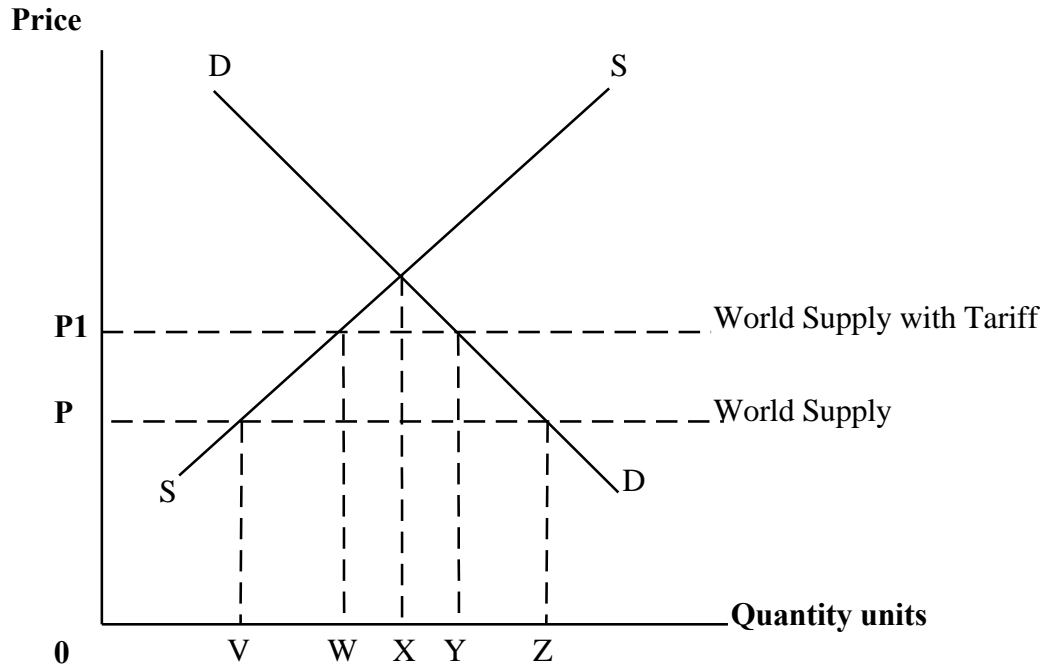
- 24 The diagram below relates to the production of cars and maize in countries W and Z with a given quantity of resources.



Using relative cost advantages, trade between countries W and Z can occur since

- A country Z has an absolute advantage in the production of cars.
- B country W has an absolute advantage in the production of both cars and maize.
- C country W has an absolute advantage in the production of cars and Country Z has a comparative advantage in maize.
- D country W has a comparative advantage in the production of maize and Country Z has a comparative advantage in the production of cars.

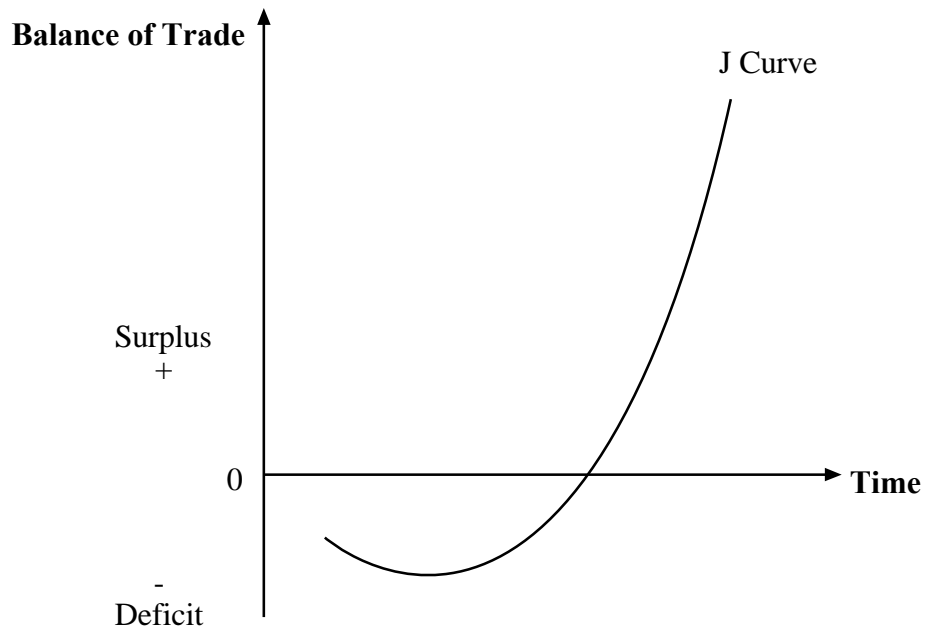
- 25 The diagram below shows the domestic market for a good. With free international trade the price is P . The country then imposes a tariff on imports of the good causing domestic price to rise to P_1 .



As a result of the tariff imposition quantity of goods imported change from

- A Z to Y.
- B Z to X.
- C VZ to VY.
- D VZ to WY.

- 26 The diagram below shows the effect of a devaluation on a country's balance of trade.



What explains the initial deterioration of the balance of trade?

- A Increased export prices.
 - B Increased interest rates.
 - C Short run inelastic demand for imports.
 - D Insufficient foreign reserves.
- 27 A socially efficient output is achieved when
- A marginal social cost equals marginal social benefit.
 - B marginal private cost equals marginal social benefit.
 - C marginal private cost equals marginal private benefit.
 - D marginal social cost equals marginal private benefit.

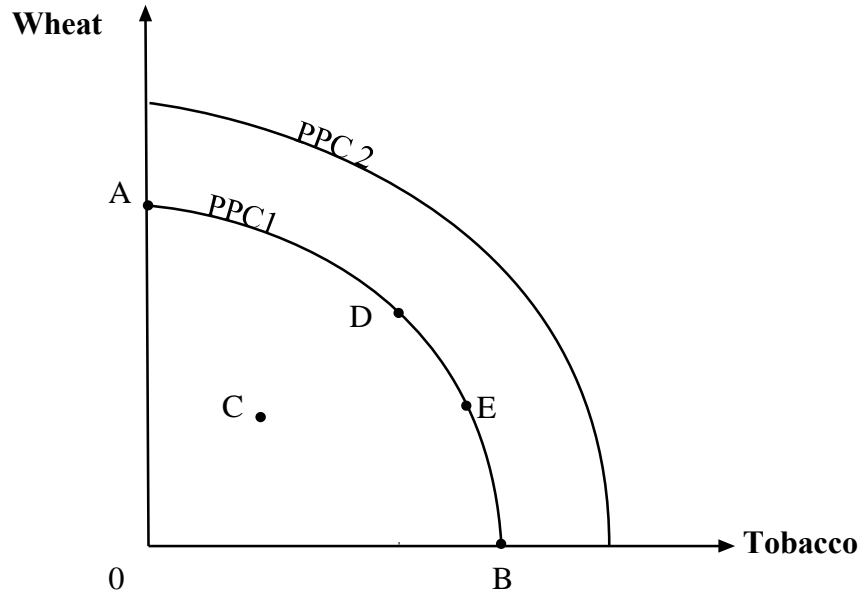
28 The profits for three companies in the same industry are shown below.

Company	Profit(\$)	Tax Paid(\$)
X	2 000	200
Y	5 000	400
Z	9 000	600

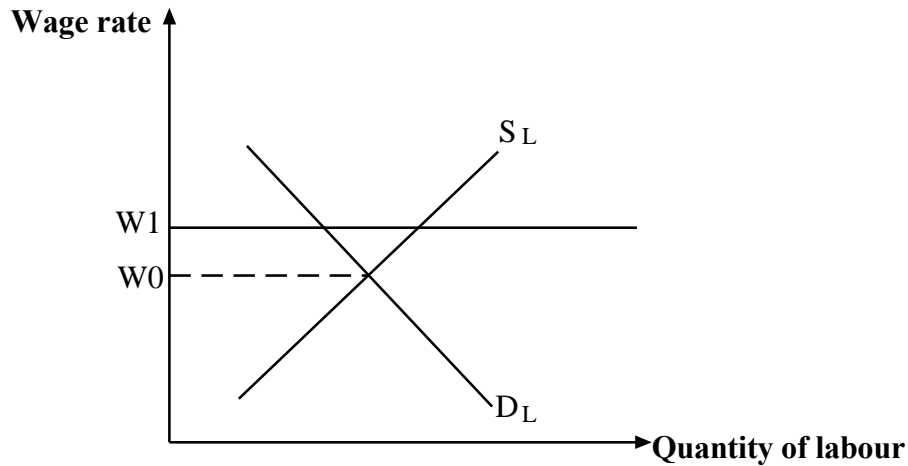
The nature of the tax applied in this economy is

- A regressive.
 - B progressive.
 - C proportional.
 - D exemptive
- 29 The reason for government intervention in the market is
- A existence of diseconomies of scale.
 - B imbalance between buyers and sellers.
 - C existence of significant economies of scale.
 - D existence of negative externalities in production.
- 30 Other things being equal, which of the following causes the demand curve for labour to shift to the right?
- A a rise in real wages
 - B an increase in immigration
 - C an increase in productivity of labour
 - D a fall in the money wage rate
- 31 In the liquidity preference theory, the speculative demand for money is low when bond price is
- A low and interest rate is high.
 - B low and interest rate is low.
 - C high and interest rate is high.
 - D high and interest rate is low.
- 32 Overtime, the national rate of unemployment may fall as a result of the following **except**
- A an increase in money supply.
 - B an increase in the mobility of labour.
 - C a reduction in state unemployment benefits.
 - D a reduction in trade union restrictive practices.

- 33 With reference to the diagram below, which of the following indicates actual economic growth?



- A operating at point E
 B movement from point C to point D
 C movement from point A to point B
 D A shift of PPC_1 to PPC_2
- 34 Below is the demand and supply curve for labour on the market.



What type of unemployment is caused by an increase in the wage rate to W_1 ?

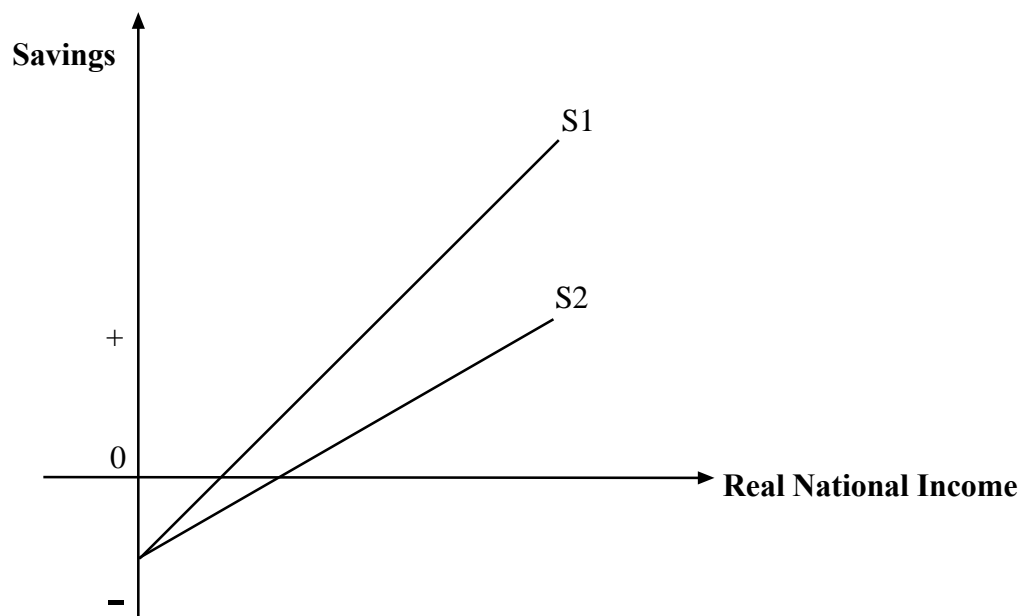
- A Frictional
 B Classical
 C Cyclical
 D Structural

35 The government of a particular country introduces laws to reduce powers of trade union

This is an example of _____ policy

- A demand
- B fiscal
- C monetary
- D supply side

36 In the diagram below S_1 is the initial closed economy's savings function which then shifts to S_2 .



What is the effect on the multiplier and on the marginal propensity to save?

	Effect on Multiplier	Effect on Marginal propensity to save
A	falls	falls
B	falls	rises
C	rises	rises
D	rises	falls

- 37** What is the marginal propensity to consume for a closed economy with no government sector in which investment rises by \$100 resulting in real gross domestic product (GDP) rising by \$1000?
- A** 0,1
 - B** 0,9
 - C** 1,0
 - D** 10,0
- 38** The sales made by a supermarket in five days were \$94, \$98, \$86, \$90 and \$91. What is the effect to the weekly mean of including Saturday's sales of \$61?
- A** decreases
 - B** increases
 - C** remains constant
 - D** cannot be determined
- 39** A survey was conducted by a chocolate manufacturing firm on its products. Which measure of central tendency helps the firm to establish the most favoured brand?
- A** mean
 - B** median
 - C** mode
 - D** range
- 40** One advantage of using interviews over questionnaires when collecting data is that
- A** it is less expensive.
 - B** it permits anonymity and may result in more honest responses.
 - C** it does not eliminate bias in the phrasing of the questions.
 - D** it is suitable for use with both literate and illiterate respondents.

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