Candidate Name	Centre Number	Candidate Number

ZIMSEC
For Performance Measurement

ZIMBABWE SCHOOL EXAMINATIONS COUNCIL

General Certificate of Education Ordinary Level

ECONOMICS 4050/1

Paper 1 Multiple Choice

SPECIMEN PAPER 2 hours

Allow candidates 5 minutes to count pages before the examination.

TIME 2 hours

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.

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 specimen paper consists of 13 printed pages.

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1 Which of the following factors of production is the most mobile?

A. land
B. capital
C. labour
D. enterprise

2 Why should economic agents make choices in economics?

A. consumers have different tastes and preferences
B. demand for resources is impossible to meet in any economy
C. producers must decide whether to produce consumer or capital goods
D. labour and capital are not equally efficient in production

3 The table below shows a production possibility schedule of an economy, producing two goods, wheat and tractors using the available resources.

Combination	Wheat (tonnes)	Tractors (numbers)
1	400	0
2	350	80
3	0	100

What is the opportunity cost of increasing tractor production from 80 to 100?

A. 20 tonnes of wheat
B. 50 tonnes of wheat
C. 350 tonnes of wheat
D. 400 tonnes of wheat

4 The economy of Zimbabwe is regarded as a mixed economy. Which of the features identified below clearly supports the above statement?

A. The Government provides public and merit goods
B. The Government employs primary sector workers
C. The transport services are offered by the Government only
D. The Government owns the secondary sector industry

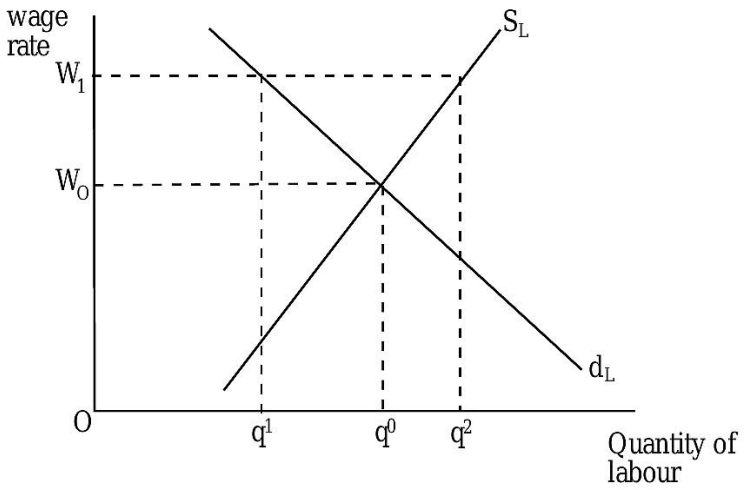
5 Mr Moyo operates a fishery along Zambezi River. He catches fish and sells them to the Binga local community. In which stage of production does his business fall into?

A. Tertiary
B. Primary
C. Secondary
D. Quaternary

6 Price elasticity of demand for sugar is -0,80. If there is a 25% change in price of sugar, quantity demanded will change by what percentage?

A. 20%
B. 25%
C. 26%
D. 31%

7 The diagram below shows an effective minimum wage imposed by the Government in a labour market for semi-skilled workers.



The new minimum wage will cause unemployment equal to:

A. Oq_1
B. q_1q_2
C. q_oq_2
D. q_oq_1

8 Zimrest Investment is a private limited company. Which documents shows the information about shareholders of the company?

A. Trading Certificate
B. Memorandum of Association
C. Articles of Association
D. Certificate of Incorporation

9 A bakery firm produced 10 000 loaves of bread peer week. The total fixed cost of this output is $2500 and total variable cost of $5000. What price should the firm charge to get normal profits?

A. $0,25
B. $0,75
C. $0,85
D. $0,50

10 The main benefit derived from divisions of labour is

A. decrease in the average cost of production
B. decrease in the use of capital equipment
C. an improvement in quality of goods and services produced
D. a decline in job satisfaction of workers involved in production

11 Nissan Motors intends to establish a production plant in one of the cities in the country. Which of the following factors would attract the firm to locate in Zimbabwe?

A. High corporate taxes levied
B. Availability of skilled labour force
C. Strict employment laws of the country
D. High competition from local and foreign firms

12 The short run production differs from long run production because:

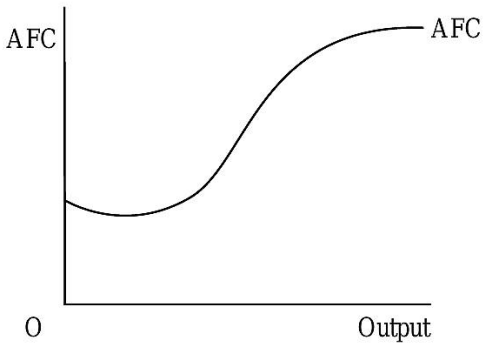
A. in short run production all factors are variable
B. long run production has both fixed and variable factors of production
C. short run is measured in terms of total costs incurred by the firms
D. short run production has at least one factor fixed and others variable.

13 Which of the following goods are jointly supplied?

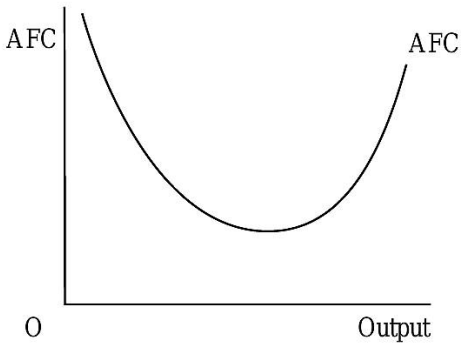
A. Coffee and tea
B. Beef and hides
C. Bread and butter
D. Maize and wheat

14 Which of the following diagrams illustrates the relationship between average fixed cost (AFC) and output of the firm?

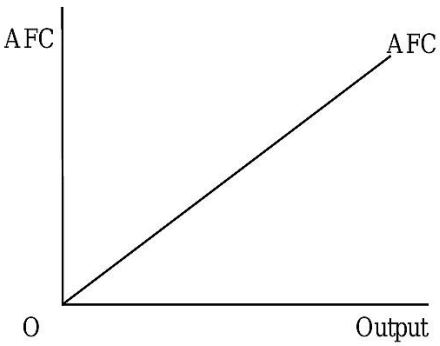
A



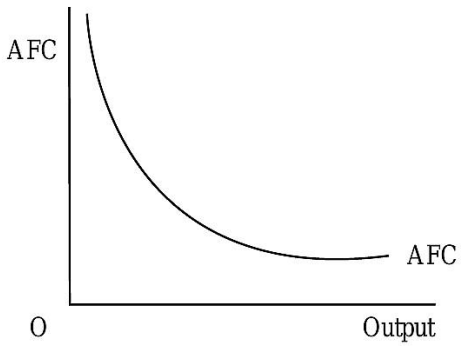
B



C



D



15 A Trade Union will fail to achieve wage increase for its members when:

A. there is a lot of ununionised labour in the market
B. labour is an essential input in the production process
C. few workers possess the skills required in the production process
D. labour cannot be substituted by machines in production

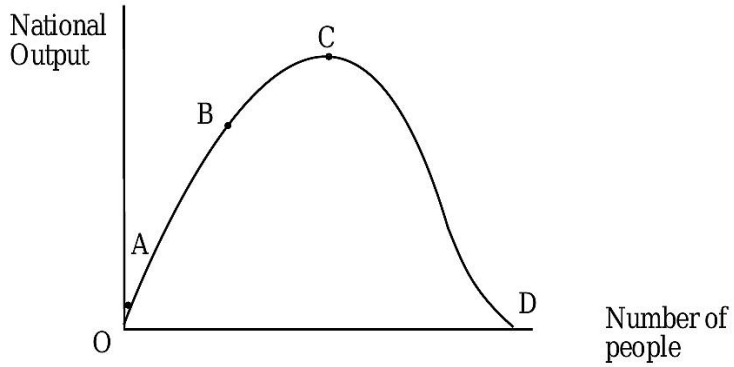
16 Which feature found in supermarkets explains their classification in monopolistic competition?

A. the size of the firm
B. level of profits they earn
C. number of branches each firm has
D. wide range of products they sell

17 A shoe manufacturing company has entered into a joint venture with a firm in the banking sector. This is an example of:

A. backward integration
B. forward integration
C. conglomerate
D. horizontal integration

18 The diagram below shows the relationship between population and national output of a country.



At which point **A**, **B**, **C** or **D** should the government intervene with a policy to control the growth of population?

19 A country has a lot of its labour force unemployed because the demand for goods and services produced is low. Which type of unemployment is explained by this statement?

A. structural
B. cyclical
C. seasonal
D. frictional

20 The Government considers that inflation in the country is caused by excess demand. What policy measure should be taken to reduce inflation?

A. reduce import tariff
B. increase government spending
C. reduce interest rates
D. increase the level of taxation

21 The productivity of labour is measured by:

A. $\frac{total\ output}{quantity\ of\ labour\ employed}$

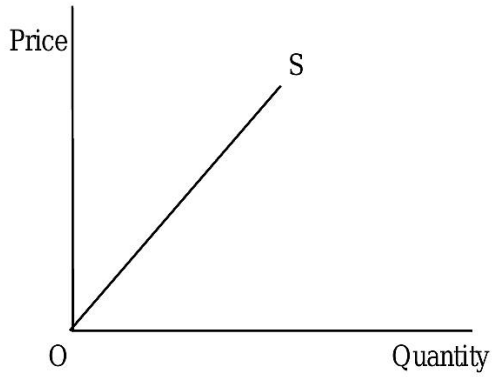
B. $\frac{total\ cost}{quantity\ of\ labour\ employed}$

C. $\frac{total\ wage\ cost}{quantity\ of\ labour\ employed}$

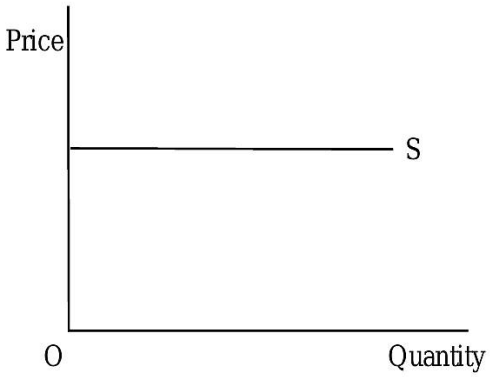
D. $\frac{total\ profit}{quantity\ of\ labour\ employed}$

22 Which of the following graphs show the quantity supplied of tomatoes responding greater than changes in price of the goods?

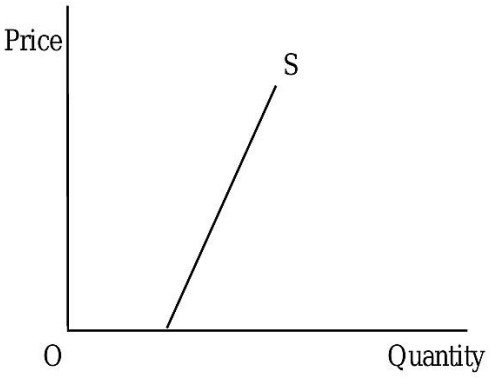
A



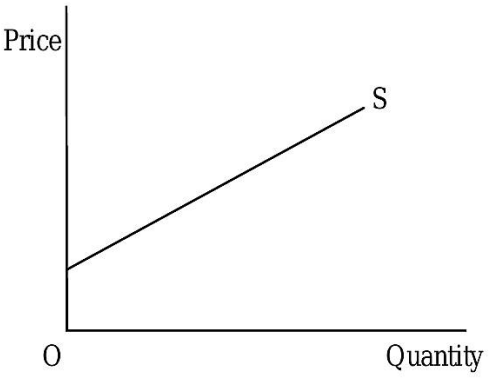
B



C



D



23 The table below shows data relating to Zimbabwe's trade statistics

	$ Million
Trade in goods	-13 087
Trade in services	8 896
Net income	811
Net current transfers	-452
Capital account balance	735
Financial account balance	1 780

Calculate the value of the current account balance.

A. $ - 1 317 million
B. $ - 12 223 million
C. $ - 21 983 million
D. $ - 3 832 million

24 During the hyper-inflation in 2008, many retailers quote the value of foods in foreign currency. Which function of money the Zimbabwean dollar was not longer functional?

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

25 Monetary policy is different from fiscal policy because:

A. fiscal policy is issued by the central bank
B. monetary policy is issued by the Ministry of Finance
C. monetary policy influences economic activities through changes in monetary supply and interest
D. monetary policy uses government spending and taxes to influence economic activities

26 A county that experiences economic growth benefits from:

A. an increase in price level
B. fall in the rate of employment
C. depletion of its natural resources
D. an improvement in standards of living

27 Zimbabwe is experiencing a rise in birth rate over the past decade. What effect does this have on total population and the size of labour force in the future?

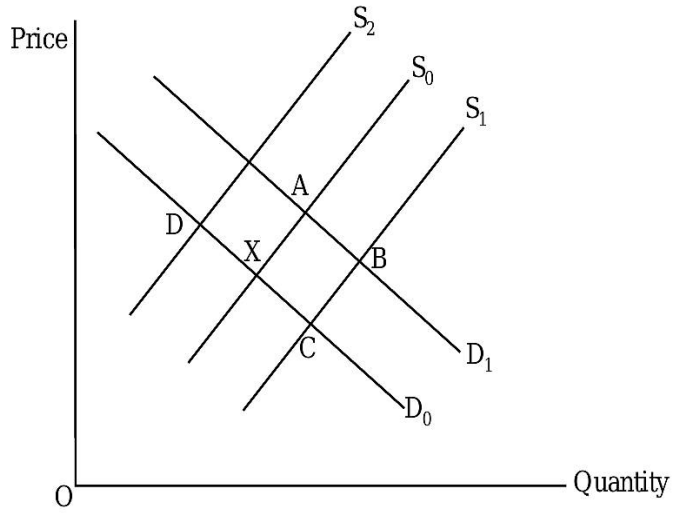
	Total population	Size of labour force
A.	Increase	Decrease
B.	Increase	Increase
C.	Decrease	Increase
D.	Decrease	Decrease

28 The Consumer Price Index of a country changes from 186 to 193. By how much did the county inflation rate increase?

A. 7%
B. 93%
C. 193%
D. 379%

[Turn over

29 The diagram below shows demand and supply curves in a maize market, point X is the initial equilibrium. What is the new equilibrium if government introduces subsidy to maize producers?



30 The country's terms of trade will improve when_____.

A. there is more imports than exports
B. there is high rate of inflation
C. there is a decrease in the level of productivity
D. there is a depreciation in the country's exchange rate

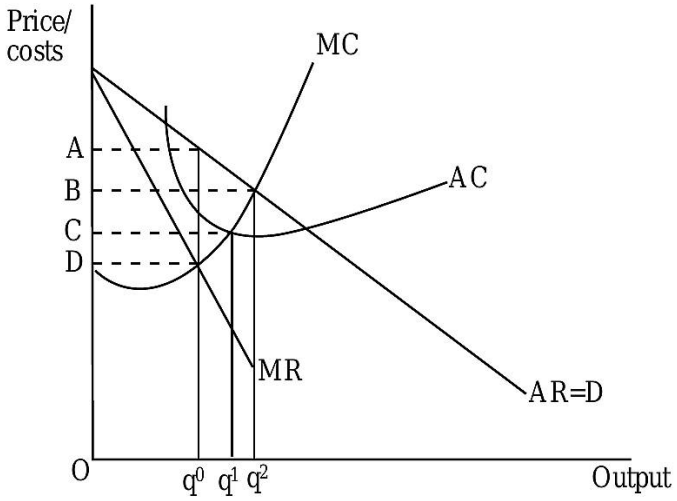
31. $\frac{\text{Index of export price}}{\text{Index of import price}} \times 100$defines

A. G.D.P. deflator
B. G.N.P. per capita
C. Consumer Price Index
D. Terms of trade

32 In a planned economy, the basic question of how to produce is answered through _____.

A. interaction of demand and supply
B. cost and benefit analysis
C. producer preferences and sovereignty
D. consumer votes

33 The diagram below shows the long run equilibrium of a monopoly firm. To maximise profits the firm should charge price:



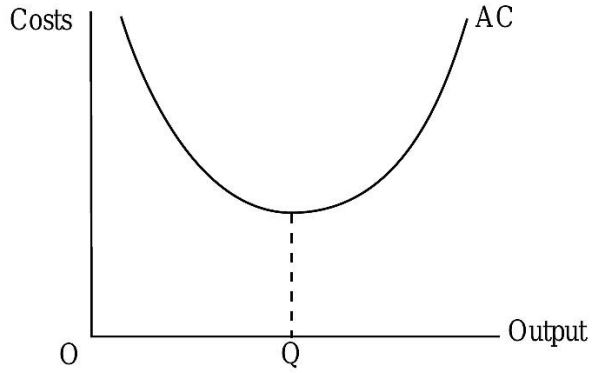
34 Using the expenditure approach, Gross Domestic Product (GDP) is calculated as:

A. Consumption + Government spending + Investment + net exports
B. Consumption + Investment + Government spending – net exports
C. Consumption – Investment + Government spending – net exports
D. Consumption+ Investment – Government spending + net exports

35 Why are farm workers likely to be paid lower wages than bank tellers?

A. farm workers are more likely to be in a trade union
B. farm workers produce goods with a lower value
C. farm workers have poor working conditions
D. farm workers have a shorter working life

36 The diagram below shows the long run cost curve of a firm.



Above output OQ average costs are increasing because of:

A. diseconomies of scale
B. increasing returns to scale
C. economies of scale
D. diminishing returns to the variable factor

37 The function of the central bank to the general public in the economy is to

A. provide loans
B. print notes and coins
C. regulate foreign exchange
D. provide bank accounts

38 The Government can use statutory laws to control imports. To which trade protection tool does this fall into:

A. Embargo
B. Tariff
C. Quota
D. Administrative barriers

39 Maximum price controls cause all of the following except _____.

A. shortages
B. food riots
C. surplus in the markets
D. emergence of black markets

40 The table below shows statistics of four countries in Southern Africa. From the information given, which country has the highest standard of living?

	Real GDP per head (US$)	**Adult literacy rate (%)**	**Life expectancy (years)**	**Average annual rate of population growth(%)**
A.	1 730	95	64	0,7
B.	325	93	46	1,8
C.	190	86	44	2,2
D.	210	74	52	1,6