# 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.

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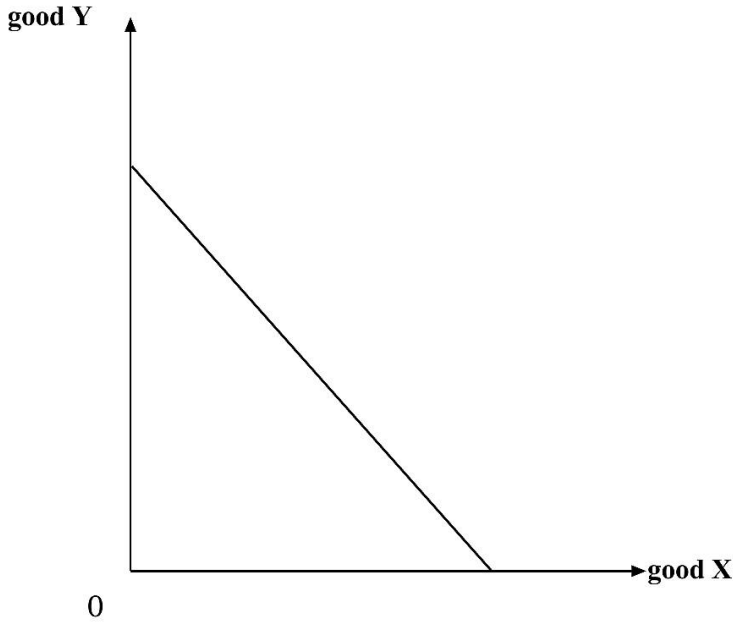
**This question paper consists of 18 printed pages and 2 blank pages.**

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**1** Productive efficiency is achieved when

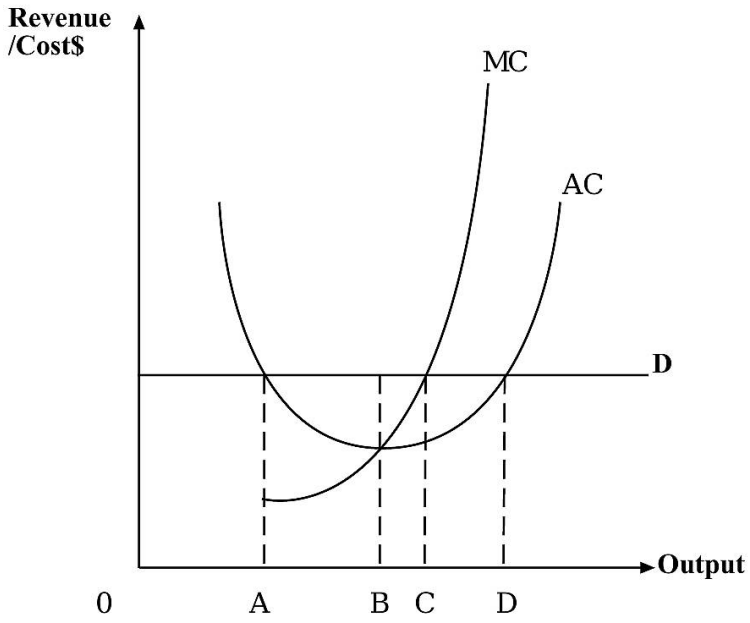
**A** a firm is producing on the lowest point of its average cost curve.
**B** there are no further opportunities of substituting labour for capital.
**C** all factors of production are fully employed.
**D** the firm is maximizing profits.

**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

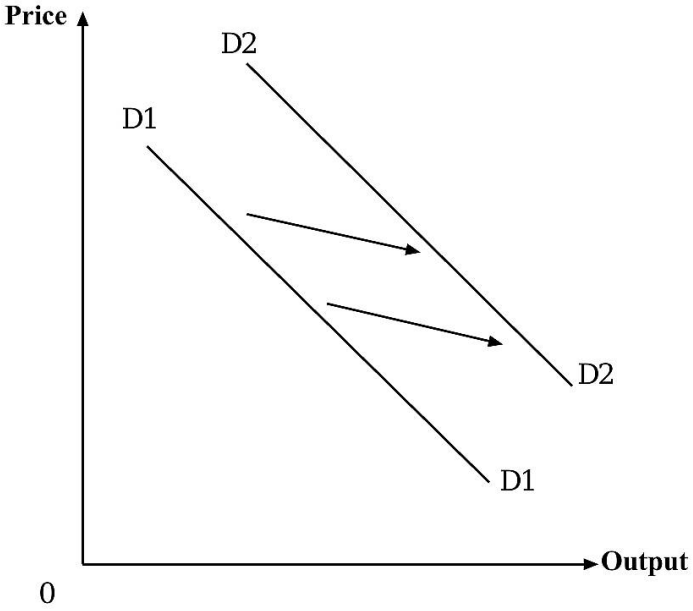
**A** $\frac{change\ in\ quantity\ demanded}{change\ in\ income}$.

**B** $\frac{\%\ change\ in\ quantity\ demanded}{\%\ change\ in\ income}$.

**C** $\frac{\%\ change\ in\ quantity\ demanded}{\%\ change\ in\ income} \times 100$.

D $\frac{\%\ change\ in\ income}{\%\ change\ in\ quantity\ demanded} \times 100$.

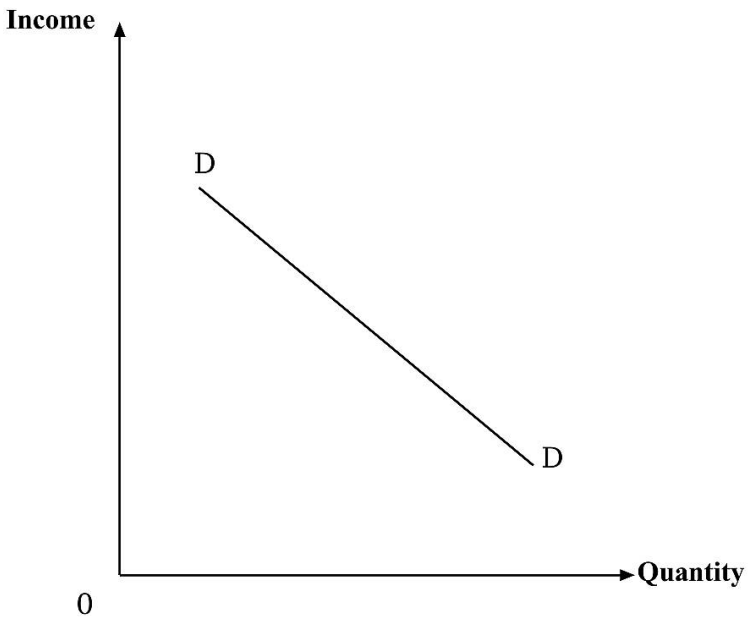
**10** The diagram below shows the demand curves for a product.




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.

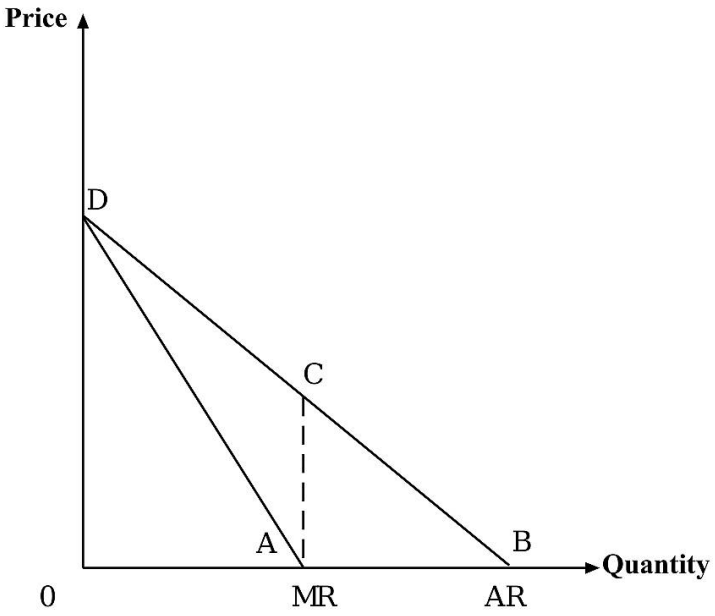
**11** The diagram below shows the demand curve for commodity X.




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

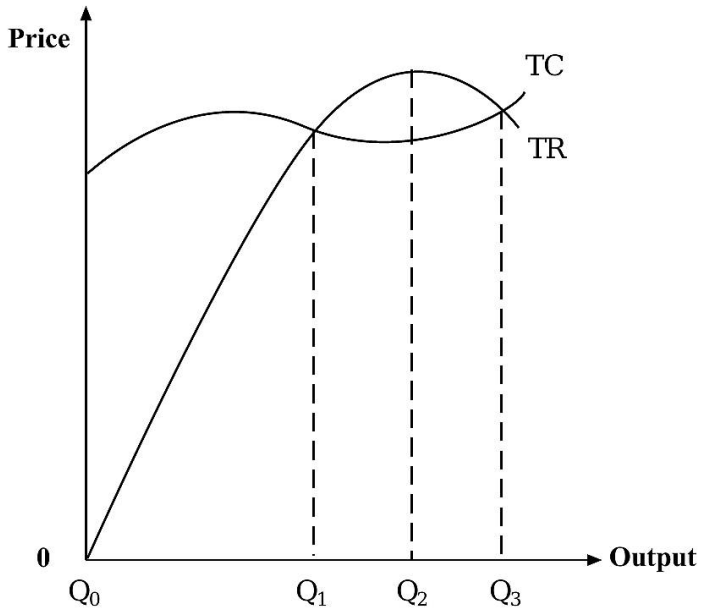
**13** If firms in an oligopolistic industry agree to form a cartel, what are the likely effects on price and output produced?

| | 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.

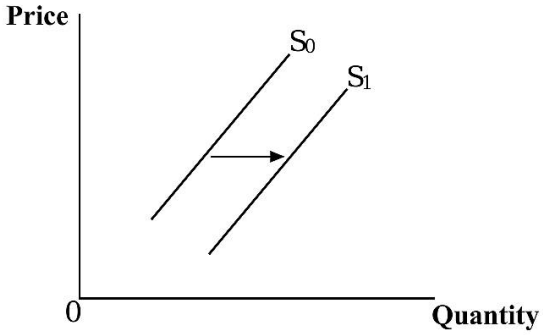
**18** The cash ratio of the banking system is 12.5%. Given a deposit of $25 000 the amount of money created in the economy is

**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.

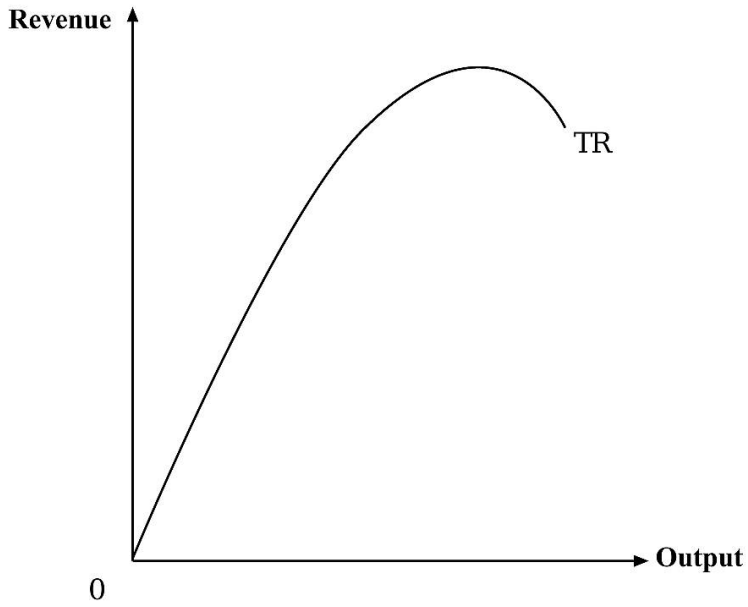
**20** The graph below shows the supply curves of wheat.




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 |
| | | |

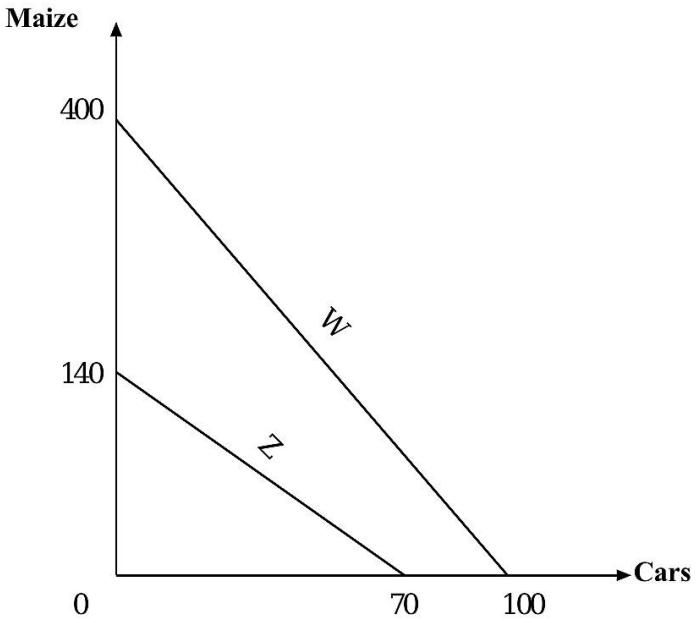
What is the average fixed cost of producing 4 units?

**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% |

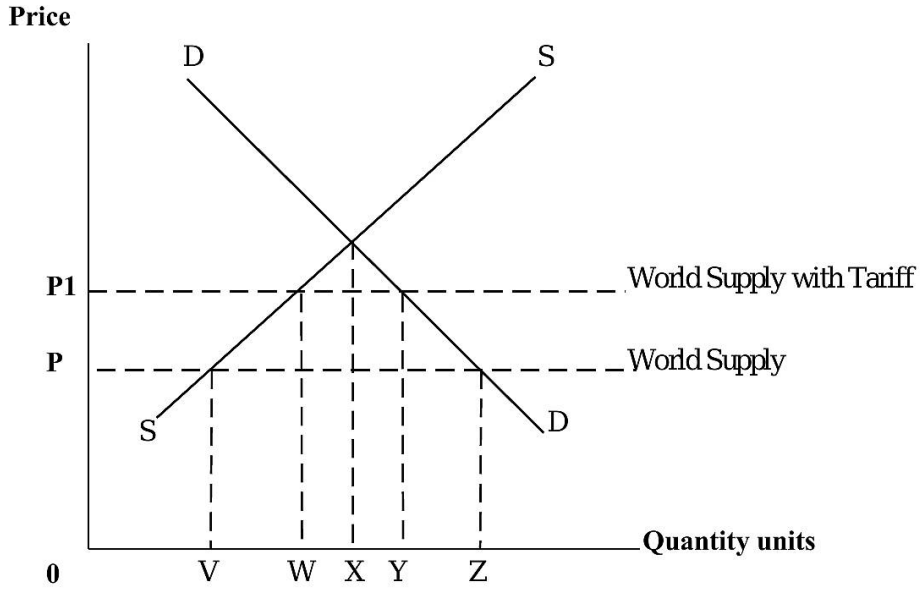
**24** The diagram below relates to the production of cars and maize in countries W and Z with a given quantity of resources.




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.

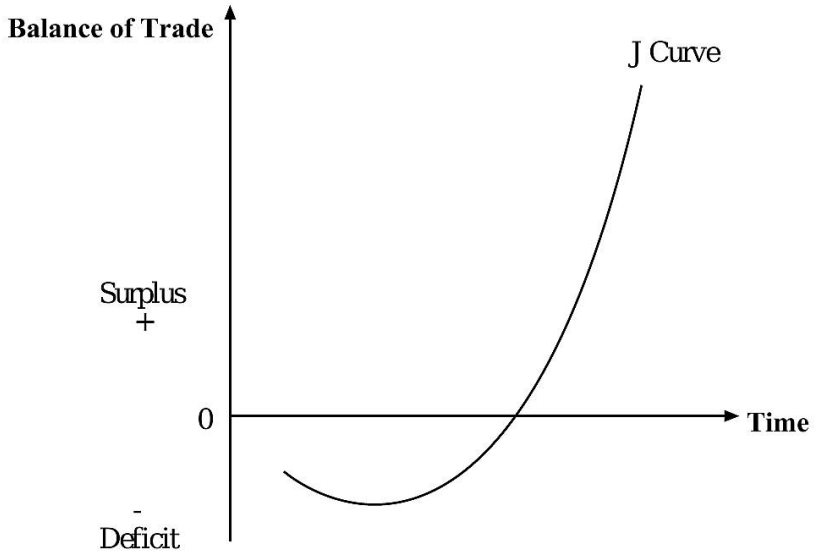
**25** The diagram below shows the domestic market for a good. With free international trade the price is P. The country then imposes a tariff on imports of the good causing domestic price to rise to $P_1$.




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

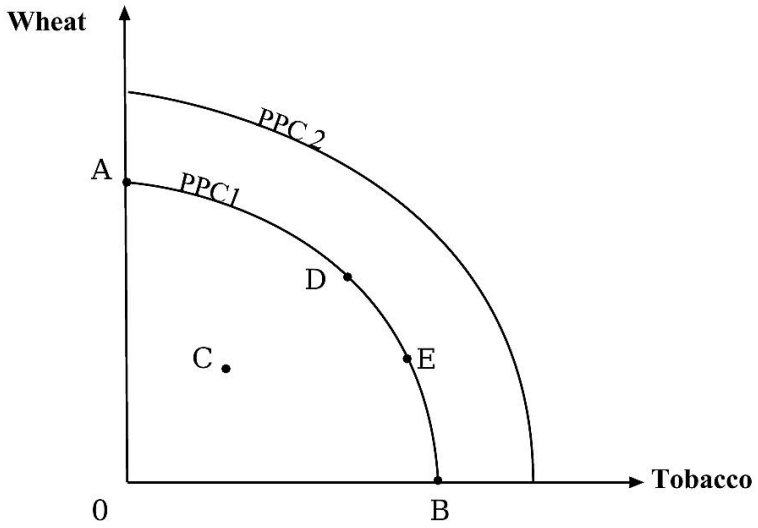
**31** In the liquidity preference theory, the speculative demand for money is low when bond price is

**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**

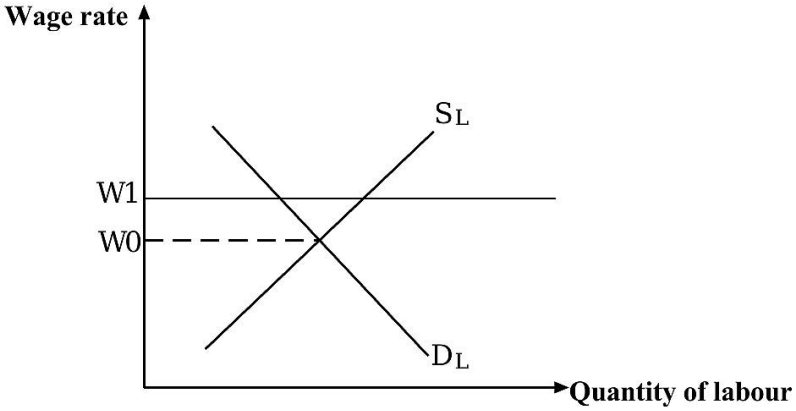
**A** an increase in money supply.
**B** an increase in the mobility of labour.
**C** a reduction in state unemployment benefits.
**D** a reduction in trade union restrictive practices.

**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 $W_1$?

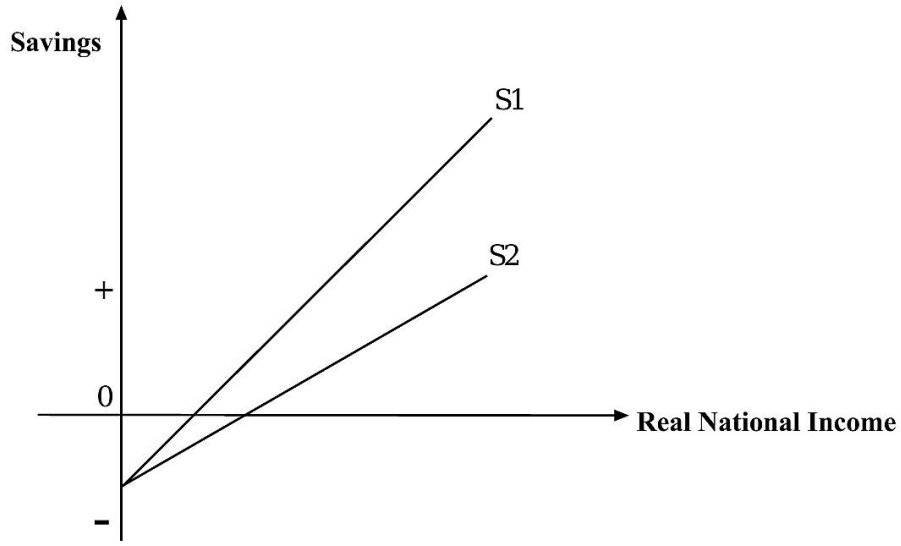
**A** Frictional
**B** Classical
**C** Cyclical
**D** Structural

**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 favouredbrand?

**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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