ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS STUDIES

MODULE: Principles of Economics

PAPER NO: 500/23/M01

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer Any five (5) questions.
2. All questions carry equal marks.

QUESTION 1

Discuss any five (5) advantages and any five (5) disadvantages of a free market economy. (20 marks)

QUESTION 2

a) Discuss three (3) effects of a price ceiling, using an appropriate diagram (10 marks)

b) Explain and illustrate diagrammatically the effects of the following on equilibrium price and output in the bread industry when there is:

   i) an increase in the salaries of all workers
   ii) an increase in price of flour. (10 marks)

QUESTION 3

a) Explain any four (4) essential features of an oligopoly market structure. (8 marks)

b) Examine any four (4) sources of barriers to entry that may give rise to an oligopoly type of market structure. (12marks)

QUESTION 4

Discuss four (4) functions of money. (20 marks)

QUESTION 5

a) Define the following terms:

   i) GNP (Gross National Product) (2 marks)
   ii) Disposable income (2 marks)

b) Discuss four (4) problems of compiling GDP (Gross Domestic Product) figures. (16 marks)

QUESTION 6

a) Define unemployment. (2 marks)

b) Examine with illustrative examples any six (6) causes of unemployment. (18 marks)

QUESTION 7

a) Using examples explain two (2) differences between normal goods and inferior goods.
(4 marks)

b) With the aid of a diagram, explain the law of diminishing marginal returns.
(16 marks)

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