



ZIMBABWE

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

**HIGHER EDUCATION EXAMINATIONS COUNCIL
(HEXCO)**

NATIONAL DIPLOMA

IN

MANAGEMENT AND BUSINESS STUDIES

SUBJECT: Principles of Economics

**PAPER NO: 500/15/S02
500/22/S02**

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

Non-programmable scientific calculator

INSTRUCTIONS TO CANDIDATE

- 1. Answer any five (5) questions.**
- 2. All questions carry equal marks.**
- 3. Do not write anything on any part of this question paper.**

QUESTION 1

Discuss five (5) characteristics of a market economy. (20 marks)

QUESTION 2

Contrast the longrun equilibrium position of a monopoly and a perfectly competitive firm. (20 marks)

QUESTION 3

- a) With the aid of a diagram, explain:
- i) Economic rent (5 marks)
 - ii) Transfer earnings (5 marks)
- b) Explain five (5) causes of wage differentials. (10 marks)

QUESTION 4

- a) Suppose in the market of Good A, there is an increase in the supply of Good A. Explain using demand and supply analysis what effect this increase in supply of good A would have on the equilibrium price and quantity of:
- i) Good B, a complimentary good to Good A. (5 marks)
 - ii) Good C, a substitute to Good A (5 marks)
- b) With the aid of diagram(s), describe three (3) effects of a maximum price set on a good such as sugar. (10 marks)

QUESTION 5

Discuss five (5) effects of inflation in an economy. (20 marks)

QUESTION 6

- a) Using illustrations, explain the concept of comparative advantage as the basis of international trade. (12 marks)
- b) Examine four (4) benefits which can be enjoyed by a country engaged in international trade. (8 marks)

QUESTION 7

- a) Explain the following:
- i) Horizontal integration (3 marks)
 - ii) Conglomerate (3 marks)
 - iii) Take-over (2 marks)
- b) Discuss four (4) factors that influence to location of firms. (12 marks)

QUESTION 8

- a) Define the term per capita GDP. (2 marks)
- b) Discuss six (6) uses of National Income statistics. (18 marks)

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