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CERTIFICATE IN MICROFINANCE	
SUBJECT	INTRODUCTION TO ECONOMICS
DATE	24 April 2023
TIME	3 HOURS
MARKS	100
EXAM TYPE	CLOSED BOOK

NB: DO NOT TURN OVER THE QUESTION PAPER OR COMMENCE WRITING UNTIL INSTRUCTED TO DO SO.

INSTRUCTIONS TO CANDIDATES

1. Read the instructions CAREFULLY before answering the paper.
2. Answer **ANY Four*(4)** questions.
3. Each question carries 25 Marks.
4. Where diagrams are used, these should be clearly and fully labelled.
5. Start each question on a fresh page.
6. Please number your answers.
7. Please be neat-illegible handwriting cannot be marked.
8. Use black or blue ink.
9. Ensure that all information on the cover of your answer book is completed in full.
10. Cheating is not allowed, if anyone is caught cheating, you will be disqualified from the examination.

Question 1

- (a) Discuss the following statement: "ZETDC has increased the tariffs for electricity, therefore we are experiencing inflation." **(8marks)**
- (b) Distinguish between demand-pull inflation and cost-push inflation.
(6 marks)
- (c) Suppose that the Consumer Price Index (CPI) was 110 last year and is 121 this year, what is this year's rate of inflation? **(4 marks)**
- (d) What is the effect of inflation on the Microfinance sector in Zimbabwe?
(7 marks)

Question 2

- (a) Distinguish between *frictional, structural, and cyclical* unemployment.
(9 marks)
- (b). What are the costs of unemployment? **(Give 3 examples and a short explanation).** **(6 marks)**
- (c) What role can Microfinance play in solving the unemployment problem in Zimbabwe? **(10 marks)**

Question 3

- (a) Explain the difference between the Gross Domestic Product (GDP) and the Gross National Product (GNP)? **(6 marks)**
- (b) What is the difference between the nominal GDP and Real GDP? **(6 marks)**
- (c) How do we calculate economic growth? **(3 marks)**
- (d) Suppose that country XX produces only cereal and milk. Quantities and prices of these goods for 2014 to 2017 are shown in the Table below. The **base year** is 2014.

Year	Price of Cereal	Quantity of Cereal	Price of Milk	Quantity of Milk
2014	\$4	100	\$1.50	180
2015	\$4	120	\$2.00	200
2016	\$5	150	\$2.50	200
2017	\$6	180	\$3.50	240

- (i) Calculate the **nominal and real GDP** for each year. **(6 marks)**
(ii) Calculate the economic growth rates for 2015, 2016 and 2017. **(4 marks)**

(For (i) and (ii) write your answers into the table below and show your calculations).

Year	Nominal GDP	Real GDP	GDP deflator	Economic Growth Rate
2014			100	
2015			112.8	
2016			138.8	
2017			177.7	

Question 4

- (a) Distinguish between a government budget deficit and national debt. **(6 marks)**
(b) "Government budget deficits lead to an increase in the national debt". TRUE or FALSE. Explain your answer. **(5 marks)**
(c) What is the "crowding out effect?" **(5 marks)**
(d) Distinguish between fiscal policy and monetary policy and discuss the instruments of the two policies. **(9 marks)**

Question 5

- (a) Distinguish between absolute advantage and comparative advantage in international trade. **(6 marks)**
- (b) Why do countries impose trade barriers? **(10marks)**
- (c) Name and discuss any two trade barriers that a country can impose on imports from other countries? **(6 marks)**
- (d) What is meant by the term “**terms-of-trade?**” **(3 marks)**

Question 6

- (a) What is an exchange rate? **[5 marks]**
- (b) Distinguish between a flexible and a fixed exchange rate system. **[6marks]**
- (c) Distinguish between devaluation and depreciation. **[6 marks]**
- (d) Explain how a country that uses the fixed exchange rate system maintains the set exchange rate. **[8 marks]**

END OF EXAMINATION PAPER