NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF BANKING
BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING

LAW RELATING TO BANKING I – CIN 2103

FINAL EXAMINATION   **APRIL 2009**

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- The paper contains **SIX (6)** questions.

- Answer any **four (4)** questions.

- All questions carry equal marks **[25 marks].**

- Start the answer to each question on a fresh page of the answer sheet.

- Indicate on your answer booklet whether you are in the conventional or parallel programme

INFORMATION FOR CANDIDATES

Questions may be written in any order, but must be legibly numbered.

The businesses in this question paper are intended to be fictitious.

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[Turn over]

QUESTION 1

(a)   What are the main functions of prices in a market system?   (10 marks)

(b)   i)   With the aid of examples explain why some economies have made a
                transition from a command economy model to a free market system(8 marks)
        ii)   What are some of the short-comings of a free market economy?   (7 marks)

TOTAL   [25 MARKS]

QUESTION 2

(a)   Explain the following terms:
        i)   Diminishing marginal utility.   (5 marks)
        ii)   Equi-marginal principle.   (5 marks)

(b)   Use the substitution and income effects to analyze the effect of an increase in
        UNISA fees, assuming that NUST fees and income are constant.

                                                                                 (15 marks)

TOTAL   [25 MARKS]

QUESTION 3

(a)   Explain the assumptions of greediness and transitivity used in the
        theory of consumer behaviour.   (7 marks)

(b)   Given that the demand and supply functions are represented by the
        following functions:
        $Q_d = 650 – 10 P$ and $Q_s = -350 + 15P$ respectively.

        (i)   Calculate the equilibrium price and quantity.   (4 marks)
        (ii)   What is the effect on equilibrium price and quantity of the
                introduction of a subsidy of $10 per unit?   (6 marks)
        (iii) Comment on the relative benefits that are enjoyed by the supplier and
                the consumer because of the subsidy introduced in (b) above.   (8 marks)

TOTAL   [25 MARKS]

QUESTION 4

(a)   What are the consequences of price floors and price ceilings in commodity
        markets?   (10 marks)

(b)   Explain carefully with the aid of a diagram the effect of excise duty on a
        product's equilibrium price and quantity. Comment on the relative burden of
        the duty borne by different economic agents.   (15 marks)

                        TOTAL   **[25 MARKS]**

QUESTION 5

(a)   Describe the shutdown condition and the supply curve of a perfectly
        Competitive firm in the short-run.   (10 marks)
(b)   Under market structures, discuss the differences between perfect
        Competition and monopoly.   (15 marks)

                        TOTAL   **[25 MARKS]**

QUESTION 6

Use the marginal revenue productivity theory to explain the demand for labour by
firms in perfectly competitive markets. Briefly comment on the elasticity of the
industry demand for labour.   (25 marks)

                        TOTAL   **[25 MARKS]**