NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF TEXTILE TECHNOLOGY
END OF SEMESTER EXAMINATIONS JUNE 2004
INDUSTRIAL ECONOMIC ENVIRONMENT - TXT 2218
TIME: 3 HOURS

INSTRUCTIONS

Answer **ALL** questions from Section A and **ANY 3** from section B. Section A carries 40 marks and each question in section B carries 20 marks. Allocate 60 minutes to section A and 120 minutes to section B.

SECTION A

Answer **ALL** questions in this section.

1. (a) Who are the major players in the circular flow of income and expenditure.
                                                                                    (5 marks)

   (b) In economic theory, what are assumptions underlying each of them?
                                                                                    (5 marks)
   (c) What are the major sources of leakage in this flow?   (3 marks)

2. (a) What are the functions of money?   (4 marks)

   (b) Money can be measured as M0, M1, M2 … M5. What is the composition of M0, M1, M2?   (3 marks)

3. (a) Define the following giving examples:
        -    Normal good   (3 marks)
        -    Inferior good   (3 marks)

   (b) In the theory of supply and demand what causes the following
        -    Movements along the demand curve   (5 marks)
        -    Shifts in demand curve   (5 marks)

4. Define the following terms giving examples:
   (a) micro – economics   (2 marks)
   (b) macro – economics   (2 marks)

SECTION B

1. The production possibility frontier illustrates three important economic concepts of choice, opportunity cost and scarcity. Explain in detail.   (20 marks)

2. (a) Explain the concept of returns to scale (you may want to use a production process system of your choice)   (5 marks)

    The following data represents output of real gross products, labour days   and real capital input in the Manufacturing Sector of Zimbabwe: 1980 – 1994

Year	Real Gross Product (millions of Z$), Y	Labour days (millions of days), X_2	Real capital input (millions of Z$), X_3
1980	16,607.7	275.5	17,803.7
1981	17,511.3	274.4	18,096.8
1982	20,171.2	269.7	18,271.8
1983	20,932.9	267.0	19,167.3
1984	20,406.0	267.8	19,647.6
1985	20,831.6	275.0	20,803.5
1986	24,806.3	283.0	22,076.6
1987	26,465.8	300.7	23,445.2
1988	27,403.0	307.5	24,939.0
1989	28,628.7	303.7	26,713.7
1990	29,904.5	304.7	29,957.8
1991	27,508.2	298.6	31,585.9
1992	29,035.5	295.5	33,474.5
1993	29,281.5	299.0	34,821.8
1994	31,535.8	288.1	41,794.3

    (b) Establish the production function and make comments.   (15 marks)

3. (a) Define National Income in the context of a give economy   (2 marks)

    (b) Give details of the three methods of measuring National Income.
                                                                              (9 marks)
    (c) Illustrate how the level of National Income can be determined in a 2 sector economy with households and firms.   (9 marks)

4. What are the 4 major macro-economic issues. How do these affect government policy?   (20 marks)

5. (a) Explain the concept of elasticity from both the supply and demand side of

economics. (5 marks)

(c) How do you expect the following to affect the operational policy of a firm or industry of your choice?
- price elasticity (5 marks)
- income elasticity (5 marks)
- cross elasticity (5 marks)

END OF QUESTION PAPER