

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF THE BUILT ENVIRONMENT
BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE
PART I SUPPLEMENTARY EXAMINATION
PRINCIPLES OF MICROECONOMICS - AQS 1104

Time: 3 hours

Total Marks:100

INSTRUCTIONS TO CANDIDATES

- Answer any **FOUR (4)** questions.
- Start the answer to each full question on a fresh page of the answer sheet.
- You may use a calculator.
- All calculations are to be presented in good style and workings should be shown.
- Questions may be written in any order, but must be legibly numbered.

INFORMATION FOR CANDIDATES

- The paper contains **SIX (6)** questions.
 - All questions carry equal marks [**25 marks**].
 - The businesses in this question paper are intended to be fictitious.
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QUESTION 1

- a) What is the basic economic problem? [10 marks]
- b) Assess the view that formerly command economies have changed to market economies so as to better solve basic economic problems. [15 marks]

QUESTION 2

- a) Illustrate the distinction between a change in quantity demanded and a change in demand using relevant diagrams. [5 marks]
- b) Discuss the main determinants of demand. [10 marks]
- c) Use diagrams to explain consumer surplus and producer surplus. [10 marks]

QUESTION 3

- d) Explain the concepts of Price Elasticity of Demand (PED) and Income Elasticity of Demand (IED). [9 marks]
- e) Use diagrams to explain how knowledge of Price Elasticity of Demand (PED) may assist a retailer of different brands of cellular phone handsets. [16 marks]

QUESTION 4

Distinguish between the income and substitution effect of:

- a) a normal good [15 marks]
- b) a giffen good [10 marks]

QUESTION 5

- a) What is price discrimination? Explain the possible conditions necessary for price discrimination. [15 marks]
- b) Critically analyze the kinked oligopoly model. [10 marks]

QUESTION 6

a) How does labour productivity affect the wage rate in a perfectly competitive labour market? [10 marks]

a) What are the possible consequences of an increase in the salaries of teachers whilst those of other civil servants remain constant in Zimbabwe? Use diagrams to illustrate the effects. [15 marks]