

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF THE BUILT ENVIRONMENT
BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE
PART I FIRST SEMESTER EXAMINATIONS JANUARY 2013
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.
- Indicate on your answer booklet whether you are in the conventional or parallel programme.
- 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) Explain the central problem that is faced by all economies. [10 marks]
- b) From 1980 to 2010 how has the Zimbabwean economy attempted to answer the three fundamental questions that underpin the central problem faced by all economies of the world? [15 marks]

QUESTION 2

The following equation pertains to the demand and supply of HP ProBook laptops at Computec shop in the Bulawayo Centre:

Quantity demanded per year = $6\,500 - 10P$

Quantity supplied per year = $3\,500 + 15P$

- a) What is the market clearing price assuming the currency of trade is the United States Dollar (US\$). [2 marks]
- b) Compute the quantity demanded and supplied at the equilibrium point. [4 marks]
- c) Calculate the quantity demanded and supplied at a price of US\$500. Comment on whether this price creates a shortage or a surplus in the market. [6 marks]
- d) If 100 more HP ProBook laptops are bought at each and every price, what will be the new equation for the quantity demanded? [3 marks]
- e) With reference to the new situation highlighted in (d) above, compute the new equilibrium price and quantity. [4 marks]
- f) Explain any three key factors which may cause the effect on the demand for HP ProBook laptops described in (d) above. [6 marks]

QUESTION 3

- a) Define the price elasticity of demand for potatoes and indicate using a formula how it can be calculated. [4 marks]
- b) Discuss the determinants of price elasticity of demand. [6 marks]
- c) Explain the following terms relating to assumptions of the indifference approach:
 - i) Completeness [3 marks]
 - ii) Transitivity [3 marks]
 - iii) Non-satiety [3 marks]
- d) State three characteristics of a budget line. [6 marks]

QUESTION 4

- a) Explain the difference between the short run and the long run under the theory of production. [6 marks]
- b) Define normal profit and explain the difference between total profit, normal profit and economic profit. [7 marks]
- c) Evaluate the notion that a business should expand because there are cost advantages which are attributable to growth. [12 marks]

QUESTION 5

- a) What are the features of perfect competition? [4 marks]
- b) Discuss allocative and productive efficiency relative to perfect competition. [6 marks]
- c) Using diagrams, illustrate the short run and long run equilibrium under monopolistic competition. [15 marks]

QUESTION 6

- a) Why is that wages in developing countries are generally lower than those in developed countries? [10 marks]
- b) Analyse the wage differentials that exist between occupations. [15 marks]

END OF EXAMINATION