

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF THE BUILT ENVIRONMENT**  
**BACHELOR OF QUANTITY SURVEYING (HONOURS) DEGREE**  
**PART I SUPPLEMENTARY EXAMINATION - AUGUST 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.

---

**QUESTION 1**

a) Giving appropriate examples, define the following terms:

- |                      |           |
|----------------------|-----------|
| i) Economic good     | [3 marks] |
| ii) Pure public good | [3 marks] |
| iii) Merit good      | [3 marks] |
| iv) Demerit good     | [3 marks] |

- b) What do you understand by Cost Benefit Analysis? [6 marks]
- c) With reference to examples, discuss the application of Cost Benefit Analysis to public sector investment. [7 marks]

### **QUESTION 2**

- a) Explain with the aid of a diagram how the price of a product moves to a new equilibrium under the following:
- i) An increase in supply. [8 marks]
- ii) A decrease in demand. [8 marks]
- b) Evaluate the implications of government intervention in markets. [9 marks]

### **QUESTION 3**

- a) Discuss how reduced hotel fares on low cost, budget hotels may affect the leisure industry and markets for related goods and services. [9 marks]
- b) Using diagrams, illustrate four types of price elasticity of supply. [16 marks]

### **QUESTION 4**

- a) Distinguish between cardinal and ordinal utility. [4 marks]
- b) Given the information in the table below, calculate the marginal utility and the weighted marginal utility. [10 marks]

Meat (Price = \$3.00)			
Units	Marginal Utility	Total Utility	Weighted Marginal Utility
1		90	
2		171	
3		243	
4		306	

5		360	
---	--	-----	--

- c) State four properties of indifference curves. [8 marks]
- d) With reference to indifference curve analysis, when is consumer optimum equilibrium attained geometrically? [3 marks]

### **QUESTION 5**

- a) Explain whether increasing the scale of operation of a company will always reduce its operating costs. [12 marks]
- b) Discuss why governments in which monopolies operate may be concerned about their operations. [13 marks]

### **QUESTION 6**

- a) Evaluate the determination of wages in perfectly competitive markets. [10 marks]
- a) With the aid of a diagram, illustrate the following concepts:
- i) Transfer earnings [7 marks]
- ii) Economic rent. [8 marks]

**END OF EXAMINATION**