



ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

**HIGHER EDUCATION EXAMINATIONS COUNCIL
(HEXCO)**

NATIONAL DIPLOMA

IN

**TOURISM AND HOSPITALITY MANAGEMENT, PROFESSIONAL
COOKERY, BAKERY STUDIES AND FOOD AND BEVERAGE
MANAGEMENT**

SUBJECT: Principles of Economics

PAPER NO: 534/S03

NOVEMBER/DECEMBER 2010 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

- 1. Answer any FIVE questions**
- 2. All questions carry equal marks**

This paper consists of 2 printed pages.

MS/2010

QUESTION 1

With the aid of a diagram examine how you may allocate resources in order to solve economic problems in the Tourism and Hospitality Industry. (20 marks)

QUESTION 2

Discuss the free market economy as an economic system that you are operating in. (20 marks)

QUESTION 3

With the aid of a diagram, explain the income and substitution effect of a good whose price has gone up while the others remain constant. (20 marks)

QUESTION 4

Examine any five (5) determinants of the demand for hospitality products and services. (20 marks)

QUESTION 5

a) From the following information calculate cross elasticity of demand. (8 marks)

Good	Old Price	Old Quantity	New Price	New Quantity
X	60	600	90	400
Y	50	100	50	67

- b) Comment on what type of goods they are. (2 marks)
- c) Using a diagram, illustrate and explain how a monopolist may make abnormal profits in the short run. (10 marks)

QUESTION 6

Evaluate the functions of the central bank in Zimbabwe. (20 marks)

QUESTION 7

Explain the following terms as they are used in economics.

- a) Gross Domestic Product (4 marks)
- b) Comparative advantage (4 marks)
- c) Balance of payments (4 marks)
- d) Fiscal Policy (4 marks)
- e) Sunk costs (4 marks)

...../jrm