ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

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

SUBJECT: **Principles of Economics** **PAPER NO: 534/SO3**

NOVEMBER 2011 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer any FIVE (5) Questions
2. Start a new question on a fresh page
3. All questions carry equal marks

This paper consists of 3 printed pages.

QUESTION 1

Give brief definitions of the following economic terms:

a) Normal Profit
b) Price discrimination
c) Reserve ratio
d) Barter trade
e) Transfer payment
f) Scarcity ✓
g) Positive statement ✓ concern is on wat is, was or will be, eg assert alleged facts about the universe in which we lives
h) Short run period
i) Cost push inflation *
j) Commercialization. *

(20 marks)

QUESTION 2

Identify and discuss the advantages of a free market economy.

(20 marks)

QUESTION 3

a) Define the law of demand and state the exceptions to this law.

(11 marks)

b) The following relations describe the supply and demand of a hotel meal.

$$Q_d = 65\,000 - 10\,000p$$
$$Q_S = -35\,000 + 15\,000P$$

= 20

Where Q is the quantity and P is the price of a meal, in dollars.

i) What is the equilibrium price? Calculate the quantity demanded and supplied at equilibrium. (3 marks)

ii) Calculate the quantity demanded and supplied at prices of USD 6.00 and USD 5. 00. At each price level comment on whether there would be a surplus or a shortage of meals in the market. (6 marks)

QUESTION 4

"National Income Statistics are good indicators of a country's welfare". Discuss. define & talk about (NI) (20 marks)

QUESTION 5

Assess policies which may be adopted by the Zimbabwe government inorder to avoid a balance of payment deficit. (20 marks)

QUESTION 6

a) Using a well labelled diagram, illustrate and explain the short run abnormal profit making position of a monopolist.(10 marks)

b) Evaluate the functions of money in any given economy.(10 marks)

QUESTION 7

a) Comment on the advantages of international trade. (10 marks)

b) Compare and contrast monetary and fiscal policy. (10 marks)

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