ZIMBABWE

# MINISTRY OF HIGHER AND TERTIARY EDUCATION

## HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

## NATIONAL DIPLOMA

IN

BANKING AND FINANCE

SUBJECT: Applied Economics    PAPER NO: 524/S09

**MARCH/APRIL 2013 EXAMINATION**

REQUIREMENTS

## INSTRUCTIONS TO CANDIDATE

Answer any five questions.

*This paper consists of 3 printed pages.*

PAPER NO: 524/S09 – APPLIED ECONOMICS

QUESTION 1

a) Discuss reasons for government intervention in the economy. (8 marks)

b) Compare and contrast methods of resource allocation under command and market economies. (12 marks)

QUESTION 2

a) Assess the determinants of consumption. (10 marks)

b) Examine the effects of increased consumption. (10 marks)

QUESTION 3

Explain the following terms:

a) Monetary policy (3 marks)

b) Fiscal policy (3 marks)

c) Development (6 marks)

d) Economic system (4 marks)

e) Absolute advantage (4 marks)

QUESTION 4

a) Explain the following equation with the use of a diagram:

$c = a + by$ (6 marks)

b) Assess factors that influence the size of a if c is assumed to be the consumption level of an individual. (6 marks)

c) Examine the effect of public spending on consumption and investment. (8 marks)

QUESTION 5

a) Critically examine methods of controlling international trade. (16 marks)

b) Explain why privatisation may not bring intended benefits. (4 marks)

QUESTION 6

a) Analyse determinants of exchange rate movement in the economy. (12 marks)

b) Evaluate reasons for protectionist policies. (8 marks)

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