ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

TOURISM AND HOSPITALITY MANAGEMENT, PROFESSIONAL COOKERY, BAKING TECHNOLOGY AND MANAGEMENT, FOOD AND BEVERAGE MANAGEMENT

SUBJECT: Principles of Economics **PAPER NO:** 534/15/S03

DURATION: 3 Hours

MARCH/APRIL 2021 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer any five (5) questions
2. All questions carry equal marks

This paper consists of 3 printed pages.

PAPER NO: 534/15/S03 - PRINCIPLES OF ECONOMICS

QUESTION 1

a) Define the following economic terms.
   i) Scarcity (2 marks)
   ii) Market failure (2 marks)
   iii) Short run period (2 marks)
   iv) Economic rent (2 marks)
   v) Monetary policy (2 marks)

b) Explain the relevance of the production possibility curve to a business enterprise operating in the Hospitality industry. (10 marks)

QUESTION 2

Briefly explain the following concepts giving examples.
a) Opportunity cost (5 marks)
b) Economies of scale (5 marks)
c) Law of diminishing returns (5 marks)
d) Vertical and Horizontal integration (5 marks)

QUESTION 3

Discuss any seven (7) determinants of demand besides price of the good itself. (20 marks)

QUESTION 4

a) Explain any five (5) functions of profit in a firm. (10 marks)
b) Explain why profits vary from firm to firm:
   i) In the same industry (5 marks)
   ii) Between different industries (5 marks)

QUESTION 5

a) Explain the main factors of production (12 marks)
b) Discuss the following concepts:
   i) Collective bargaining (2 marks)
   ii) Entrepreneurship (2 marks)
   iii) Opportunity cost (2 marks)
   iv) Protectionism (2 marks)

QUESTION 6

a) Outline the theory of absolute advantage (AA) and comparative advantage as applied to international trade (10 marks)
b) Explain why a country would be worried by an imbalance of its balance of payment account (10 marks)

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QUESTION 7

a) i) Analyse at least three (3) causes of inflation (5 marks)

ii) Examine at least three (3) ways the government may use to combat inflation (5 marks)

b) Explain any five (5) factors that account for the continued existence of small firms in the economy (10 marks)

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