



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**BACHELOR OF COMMERCE HONOURS DEGREE IN LOGISTICS
AND SUPPLY CHAIN MANAGEMENT**

PRINCIPLES OF ECONOMICS

HLSM 117

PART 1 SEMESTER 2

Total Marks [100]

DATE: JULY 2023

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. If income is \$300, 50 units of commodity A is bought. If income increases to \$ 500,200 units will be demanded
 - (i) Calculate income elasticity of demand. (5)
 - (ii) Comment on the value of the income elasticity of demand. (5)
 - (iii) Explain five strategic economic application of the elasticity concept. (15)

2. Discuss the efficiency implications on how the basic economic questions are answered in a command economy. (25)

3. Compare and contrast the economic characteristics of perfect competition and monopolistic market structures. (25)

4. Explain the following terms as they relate to economics
 - (i) Equilibrium (5)
 - (i) Pareto efficiency (5)
 - (ii) Opportunity cost (5)
 - (iii) Productive efficiency (5)
 - (iv) Allocative efficiency (5)

5. Critique the notion that once a country attains economic growth, it has also achieved economic development. (25)

6. Discuss the steps that the Ministry of Finance and economic development must undertake to come up with effective economic development in Zimbabwe. (25)
 - (i) Introduction of gold coins as the store of value (10)
 - (ii) Forward market for foreign currency (5)

1. Explain any five economic effects of a continuous, moderate inflation (25)

2. (a) Explain why governments should be worried by a high rate of unemployment.(10)
 - (b) Explain how the exchange rate of a country's currency is determined (10)
 - (c) Explain the measures of Gross Domestic Product and Gross National Product may be used to indicate living standards in a country (5)

End of paper