



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 EXAMINATION

TOTAL MARKS [100]

DATE: JULY 2022

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. Graphically explain the economy's production possibility curve in terms of economic growth. (25)
2. Explain the budgetary process in an organization of your choice. (25)
3. i) If the price rises by 3 %, the quantity demanded falls by 1.5 %. Calculate the price elasticity of demand. (8)
ii) If the price falls from 6 to 4, the quantity demanded rises from 8000 to 12000. Calculate the price elasticity of demand by using midpoints. (7)
iii) Calculate the price elasticity of Demand, suppose that as the price of Y falls from \$2.00 to \$1.90 the quantity of Y demanded increases from 110 to 118. (5)
iv) Calculate the cross elasticity of Demand when the price of a burger falls by 10 percent, the quantity of pizza demanded decreases by 5 percent. (5)
4. (a) Compare and contrast the market and the laissez faire economies. (10)
(b) Explain why government intervention may be necessary in regulating the economy. (15)
5. Given the current economic state of the Zimbabwean economy, should price controls be instituted to solve the crisis? (25)
6. a) Asses the effects of hyper -inflation in Zimbabwe. (10)
b) Explain how the Central Bank (Reserve Bank of Zimbabwe) can regulate money supply in Zimbabwe. (15)

End of Paper