



THE PAPUA NEW GUINEA UNIVERSITY OF TECHNOLOGY
DEPARTMENT OF ARCHITECTURE AND CONSTRUCTION MANAGEMENT
CM 124 – CONSTRUCTION ECONOMICS
ARCHITECTURE 1 & CONSTRUCTION MANAGEMENT 1
TIME ALLOWED: 3 HOURS

INSTRUCTIONS TO CANDIDATES:

- 1. You have 10 minutes to read the Paper. You must not begin writing during this time.**
- 2. There are four sections (A, B, C, D). Make sure that you have a total of 9 pages. The total marks awarded for this exam paper is out of 100.**
- 3. ALL ANSWERS MUST BE WRITTEN IN THE ANSWER BOOKLET. Please, write your name and ID on the answer booklet now.**
- 4. Text books and notes are not permitted in the examination room. Cheating is an offence and offenders will be penalized.**
- 5. Mobile phones are not allowed to be used during examination time.**
- 7. Calculators may be used.**

SECTION A: MULTIPLE CHOICE QUESTIONS

20 MARKS

INSTRUCTION: Circle the letter of the most appropriate answer. If you make a mistake, put a cross, (x), on the incorrect answer and circle the correct answer.

1. If total revenue rises when price falls, the demand curve is
 - a. elastic,
 - b. unit elastic,
 - c. Inelastic
 - d. perfectly elastic

2. Which of the following statement is true?
 - a. a peak occurs at the start of an economic recovery.
 - b. a trough occurs at the start of an economic decline.
 - c. a peak occurs when economic activity starts decreasing.
 - d. a trough occurs when economic activity starts decreasing.

3. The market in which the currency of one country is exchanged for the currency of another is called the:
 - a. money market.
 - b. capital market.
 - c. foreign exchange market.
 - d. forward exchange market.

4. A dual economy refers to:
 - a. double coincidence of wants
 - b. an economy that contains both cash and barter system
 - c. two affordable combinations of goods
 - d. the government and private sector

5. One of the common problems facing developing countries:
 - a. lack of capital
 - b. high growth rates
 - c. same climatic conditions
 - d. producing two export crops

6. Inflation is a situation in which
 - a. there is a decrease in the purchasing power of the monetary unit
 - b. there is a decrease in the price level,
 - c. a given quantity of money purchases a larger quantity of goods and services,
 - d. increases in the price level exceed increases in the nominal wage.

7. If the rate of interest decreases:
- less money will be borrowed
 - people will be reluctant to borrow
 - this has the effect of stimulating the economy
 - this increases money supply.
8. Money as a measure of value provides
- its holder with perfect liquidity,
 - a common denominator for measuring value,
 - a mechanism for allocating resources and distributing output,
 - a medium for exchanging final output.
9. Injections are:
- expenditures not spend directly on domestically produced goods
 - consumption expenditure and investment expenditure
 - savings, taxes and imports
 - expenditures necessary to deflate the economy
10. An increase in the price level from 200 in year 5 to 210 in year 6 indicates a
- 10% rate of inflation between years 5 and 6,
 - 5% rate of inflation between years 5 and 6,
 - 110% rate of inflation between years 5 and 6,
 - 105% rate of inflation between years 5 and 6.
11. Under a fixed exchange rate system, a deficit in a nation's balance of payments is corrected by
- revaluation of domestic currency
 - an appreciation of domestic currency
 - a devaluation of domestic currency
 - a depreciation of foreign currency
12. Recurrent expenditure refers to
- salaries, interest payments, rents
 - starting of new projects
 - development budget
 - same as capital expenditure

13. A deficit in the balance of trade means that
- the capital account in the balance of payment is positive
 - exports are greater than imports
 - imports are more than exports
 - transfers and official reserve accounts are negative
14. Frictional employment exists when:
- there is a fall in aggregate demand
 - workers are seasonally unemployed
 - workers lacked the skills necessary to be employed
 - potential GDP exceeds real GD
15. External economies of scale arise from the
- size of the firm
 - size of the industry
 - diseconomies of scale
 - high quality management skills within the firm.
16. Gross domestic product is the market value of
- all transactions in an economy during a one-year period,
 - all goods and services exchanged in an economy during a one-year period,
 - all final goods and services exchanged in an economy during a one-year period,
 - all final goods and services produced in a domestic economy during a one-year period.
17. Reducing taxes would
- increase revenue
 - reduce per capita GDP
 - increase business activity
 - deflate economy
18. The term unemployment refers to
- the qualified workers who are available for work but do not have jobs.
 - people who are absent from work every day.
 - one of the conditions for full employment.
 - people who are employed below the p.p.f

19. Producing above the production possibility frontier means that

- a) no productive resources are wasted
- b) resources are either use inefficiently or are under-utilized
- c) no output combinations can be obtained as there are not enough resources
- d) the output is attainable.

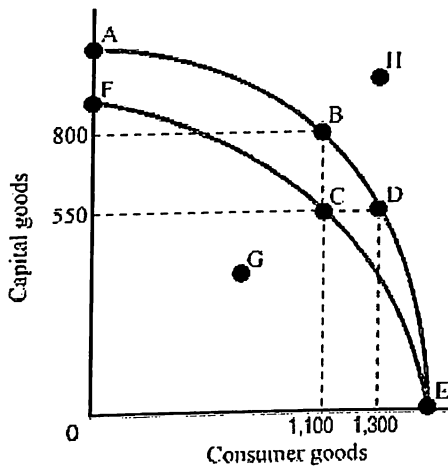
20. The consumer price index:

- a. measures import and exports of goods
- b. measures the cost of living
- c. measures income per head
- d. measures growth rate.

SECTION B: SHORT ANSWER QUESTIONS

(12 MARKS)

Use the PPC below to answer the following questions.



- a. Refer to the PPC above. State the economic term used to describe production at point G.
- b. Refer to the PPC above. State the economic term used to describe production at point H.
- c. Refer to PPC labelled FCE. State the point which represents efficient level of production.
- d. State the reason why the PPC FCE will shift to the right and result in PPC ABDE.
- e. Using the PPC curve ABDE calculate the opportunity cost of increasing production of capital good from point D to B?
- f. Using the PPC curve ABDE calculate the opportunity cost of increasing production of consumer good from point B to D?

SECTION C: LONG ANSWER QUESTIONS**14 MARKS**

Q1. Explain how interest rate as an instrument of monetary policy can be used to reduced inflation. 5 marks

Q2. Explain Gross national product (GNP). Use an example to illustrate. 5 marks.

Q3 Explain the following and give examples of these type of goods: 4 marks

- (a) complementary goods.
- (b) capital goods

SECTION D: CALCULATIONS**(54 MARKS)**

Q1. Study the following demand schedule. 14 marks

Price week (Kina/kg)	Quantity demanded per week (Kg)	Quantity supplied per (Kg)
1	30	10
2	25	15
3	20	20
4	15	25
5	10	30

- a) What is the equilibrium price and quantity? 4 marks
- b) If supply increased by 10 kg at each price level, what is the new equilibrium price and quantity? 4 marks
- c) If a price ceiling is imposed by the government at K4: 6 marks
 - i) What is quantity supplied?
 - ii) What is quantity demanded?
 - iii) Is there a shortage or a surplus?

Q.2 Study the following demand schedule.

6 marks

A firm's demand schedule for tapes is as shown:

Price (K/Tape)	Quantity sold/day (Tapes/week)
9	8
8	12
7	16
6	20
5	24
4	28
3	32
2	36
1	40

Use the point elasticity method to calculate the price elasticity of demand for the tapes indicated and interpret your result.

- a) a fall in price from K9 to K8
- b) an increase in price from K1 to K2

Q.3 The table below shows current price GDP. You are to complete the table by calculating the GDP at constant prices and interpret your results. 8 marks

Year	GDP <i>market price</i> (K' millions)	Price index	<i>Constant</i> GDP
2011	205 290	100
2012	210 350	112.9
2013	160 455	134.7

Q4. The table below shows the CPI for a country called Tropical Guinea. 8 marks

Use the base year (2010) to calculate the rate of inflation for years 2011, 2012, 2013 and interpret your results.

TROPIC GUINEA: Consumer Price Index – 2004 - 2007		
Year	CPI	Inflation rate (% per year)
2010	100	
2011	120
2012	125
2013	110

Q.5 The following table shows the production possibilities for Cape Arkona and Bayland in a year. 10 marks

Determine the commodity that each country should produce.

Production possibilities for Cape Arkona

<i>Pineapple</i>	<i>Coconut</i>
20 units	0 units
0 units	60 units

Production possibilities for Bayland

<i>Pineapple</i>	<i>Coconut</i>
40 units	0 units
0 units	80 units

Q.6 Use the value added approach to calculate GDP.

8 marks

<u>Stages of production</u>	<u>Value of output (K)</u>	<u>Value added (K)</u>
1. Logs	30 000	
2. Sawn Timber	48 000	
3. Table	78 000	
	GDP:	

END OF EXAMINATION