ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

ACCOUNTANCY

SUBJECT: Managerial Economics **PAPER NO: 500/15/S10**

DURATION: 3 Hours

NOVEMBER/DECEMBER 2022 EXAMINATION

REQUIREMENTS

Non-programmable calculators

INSTRUCTIONS TO CANDIDATE

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

PAPER NO: 500/15/S10-MANAGERIAL ECONOMICS

QUESTION 1

a) Define the term "Managerial Economics". (2 marks)

b) Briefly explain the following types of models used in business decision making:

i) Mathematical model (3 marks)

ii) Symbolic model (3 marks)

iii) Analogue model (3 marks)

iv) Scale model (3 marks)

c) Explain the three functions of models in decision making process. (6 marks)

QUESTION 2

a) Distinguish between demand estimation and demand forecasting. (4 marks)

b) Discuss in detail any two (2) methods of each of the following:

i) Demand estimation (8 marks)

ii) Demand forecasting (8 marks)

QUESTION 3

a) Outline any four (4) steps involved in capital budgeting. (8 marks)

b) Okavango Pvt Ltd is contemplating on choosing a better of the two mutually exclusive capital expenditure projects, Project, A and Project B. The cashflows for each project are shown below. The cost of capital is 10%.

	Project A	Project B
Initial capital outlay	80000	80 000
	Cashflow	Cashflow
Year 1	20 000	50 000
2	20 000	35 000
3	40 000	25 000
4	60 000	10 000

Required

Calculate

i) Pay back period of each project (4 marks)

ii) The net present value of each project. (8 marks)

QUESTION 4

a) State and explain three different environments under which managers make decision. (9 marks)

b) Mega Pvt Ltd company wishes to replace its plant with any one of the two computerised plants, plant A or plant B. The table below gives market conditions which are recession, boom and normal

State of economy	Plant A	Plant B
Recession	14500	6000
Boom	17500	20 000
Normal	20500	40 000

Which alternative would you recommend to the company to adopt based on the following criteria

i) Maximax criterion (3 marks)

ii) Maximin criterion (3 marks)

iii) Minimax regret criterion (5 marks)

QUESTION 5

a) Describe three (3) concepts of elasticity of demand. (6 marks)

b) Of what importance is the concept of price elasticity of demand to:

i) A monopoly firm like ZESA (8 marks)

ii) Government (6 marks)

QUESTION 6

a) Briefly explain the following cost concepts:

i) Opportunity cost (2 marks)

ii) Sunk costs (2 marks)

iii) Implicit costs (2 marks)

iv) Explicit costs (2 marks)

v) Relevant costs (2 marks)

b) The following information relates to the sales of molasses by Tongaat Hulletts during the past five (5) years from 2014 to 2018.

Year	Sales
2014	10
2015	16
2016	20
2017	30
2018	40

Required

i) Develop a regression equation. (8 marks)

ii) Using the regression equation $y = a + bx$, estimate sales of molasses for 2022. (2 marks)

QUESTION 7

Discuss any five (5) shortcomings of the Bretton Woods institutions' funding to developing countries like Zimbabwe. (20 marks)

...../fk