

**CORK INSTITUTE OF TECHNOLOGY
INSTITIÚID TEICNEOLAÍOCHTA CHORCAÍ**

Autumn Examinations 2011/2012

Module Title: Development Economics

Module Code: BULD7010

School: Building & Civil Engineering

Programme Title: Bachelor of Science in Construction Economics
Bachelor of Science in Construction Management

Programme Code: CCECO_7_Y3
CMNGT_7_Y3

External Examiner(s): Mr T. Cahalane, Mr N. Dempsey, Mr G. O'Rourke, Ms. R. Scully
Internal Examiner(s): Mr D. Coveney

Instructions: Answer any 3 questions. All questions carry equal marks.

Duration: 2 Hours

Sitting: Autumn 2012

Requirements for this examination:

Note to Candidates: Please check the Programme Title and the Module Title to ensure that you have received the correct examination.
If in doubt please contact an Invigilator.

Q1. Joining the Euro removed the built-in economic indicators which were available to Ireland when our currency was the Punt.

(i) What were these indicators? (20 marks)

(ii) What have been the main effects / results for our economy for their removal?

(13 marks)

Q2. (a) What is a Rating? (11 marks)

(b) Discuss the reasons for the increased importance of Rating issued by the main Rating agencies in the present economic climate. (11 marks)

(c) What are the business implications of a Rating? (11 marks)

Q3. (a) Discuss the 'Time – Lag' and how it affects the construction industry. (16 marks)

(b) What are the main reasons why the property market does NOT operate efficiently and smoothly? (17 marks)

Q4. Dee Ltd has looked ahead to the financial year ending on the 30th November 2014. The directors are faced with a budgeted loss of €10,000. This is based on the following information.

The budgeted number of units to be sold = 10,000 Units

	<u>€000</u>
Sales Revenue	100
Less variable cost	<u>80</u>
Contribution	20
Less fixed cost	<u>30</u>
Budgeted loss	(10)

The directors would like to aim for a profit of €20,000 for the year to the 30th November 2014. Various proposals have been put forward, none of which require a change the in budgeted level of fixed costs.

The proposals put forward are as follows:

- (i) Reduce selling price by 10%
- (ii) Increase selling price by 10%
- (iii) Stimulate sales by improving quality of product; this would increase the variable cost of unit by €1.50

Required:

- (a) For each proposal calculate:
 - (i) Break even (B/E) position in both unit and value terms (14 Marks)
 - (ii) Number of units required to be sold in order to meet the new profit target (14 Marks)
- (b) State which proposal you think should be adopted. (5 Marks)